THE BUSINESS WEEK

APRIL 6, 1932

Exaggerated anxiety about balancing the budget upset the mental balance of business and gave a set-back to spring optimism during the past week; but All Fools day was celebrated by a return of Congressional sanity, and somewhat embarrassing speed in plastering on the taxes everybody is asking everybody else to bear . . . . The fiscal stage is now set for further deflation, unless the rapid expansion of Reconstruction Corporation activities and Federal Reserve open market operations can offset its influence . . . . Bank credit contraction continues at about the same drastic rate as in recent months and is reflected in declining business volume and weak commodity prices . . . . The steady unseasonal return of currency from circulation, reassuring from the standpoint of bank liquidity, is perhaps becoming a symptom of contracting consumer purchasing power and trade recession . . . . A late spring upturn in merchandise freight movement is encouraging, but steel activity, power production and most other indicators have relapsed to low levels . . . . All eyes are now turned to the intrepid drive of the automobile industry against the deepening depression . . . . These dauntless adventurers, almost the last apostles of the principles of prosperity and progress in whom a shred of old-time American enterprise and initiative survives, are courageously casting their last die against the grubbing gospel of penury and despair that has apparently gripped the brains of American business leadership, and have set up an inspiring standard to which the fearless, faithful and forward-looking can repair.

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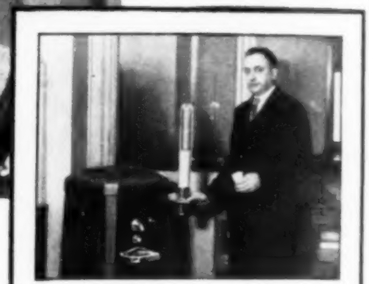

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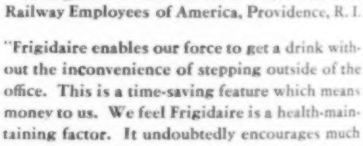

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This Business Week:

Washington

The House, jittery after its sales-tax spree, turns penitently to hurried acceptance of all kinds of taxes to balance the big budget. *(p. 5)*

Indications are that the Reconstruction Finance Corp. is loosening its purse strings, has asked for more money. How it intends to use it is not yet revealed. *(p. 6)*

Our Farm Boarders are keeping out of the Congressional landlady's way, these debtful days. No more spectacular stabilization stunts. Just the old service routine, and a great desire to be inconspicuous. *(p. 14)*

Foreign

Germany may delay, but cannot long avert, a moratorium on interest and maturity payments on at least a part of her long term obligations. *(p. 9)*

There is a growing desire among nations to live within themselves. The rumored French ban on American typewriters shows one hole in the theory: French makers employ 1,000 workers; importers of foreign office machines keep 10,000 Frenchmen busy. Moreover, French businessmen prefer American machines. *(p. 26)*

In Germany, as here, independents resent chain success, especially in hard times. Hitler has made capital of this feeling. Bruening, just before elections, banned further expansion of the chains by law. But nothing can stop people from buying where prices are lowest. *(p. 29)*

Cables reveal no signs of the spring revival in business abroad. Diplomatic conferences to come are bound to create uncertainty. *(Survey, p. 32)*

Transport

Commuter traffic, once lightly regarded, has grown to the point where the roads are eyeing its costs—and profit possibilities. New York Central has won the first round of its battle for increased rates. *(p. 8)*

Rail earnings are beginning to show the effects of the wage cut, the freight rate increase, and the curtailment of maintenance expenses. *(p. 7)*

Unhappily, not even bargain transatlantic fares can make travelers out of a people with an economy complex. *(p. 8)*

Motors

Now that the new Fords are here, the industry can throw its idling sales plans into gear. Tabulated, are selling points of the 3 contenders for the low price market. *(p. 11)*

General Motors, once the exponent of independent action among its units, is turning to centralized, concentrated sales and production. *(p. 10)*

Marketing

Dollar oil is here again, which signifies that producers took the profitless selling of 1931 to heart. *(p. 12)*

Farm equipment makers are selling heavy implements on a time-payment at harvest basis which, in effect, is a guarantee of crop prices. *(p. 12)*

Inevitable result of the great depression storm is the flood of cheapness which has undermined old standards of quality. Manufacturers and retailers of apparel goods, perhaps hardest hit, are determined to stem the tide by re-educating the woman buyer on quality. *(p. 12)*

Relief

In Muskegon, 40 factories will stabilize production on a 3-day week to spread work, gain greater manufacturing efficiency. Walker (of Shaw-Walker) convinced them it was better for all concerned to cut time than to drop men. *(p. 18)*

In Battle Creek, the Kellogg Co.'s change from three 8-hour to four 6-hour shifts has proved itself. Daily production increased 10%. *(p. 18)*

Local relief plans take many forms. In New York, the Block-Aiders used every publicity possibility, including J. P. Morgan, to get off to a good start. The United Action Group reports 350,000 new jobs. Elsewhere, relief funds near exhaustion; prospects are not so sanguine. *(p. 19)*

Production

Business is most enthusiastic over schemes to prevent over-production and under-selling—until it learns the price of privilege. Which accounts for the opposition to the Walsh bill which would permit price and production control—under Trade Commission regulation. *(p. 21)*

Rayon once competed with silk, now silk—at record lows—cuts into rayon sales. Rayon makers plan to cut production, hold up prices. *(p. 21)*

Sugar prices have so far failed to react to the Chadbourne plan, supposedly accepted by all parties. Perhaps the unhappy record of other restriction schemes has had a bad moral effect. *(p. 24)*

Finance

Charts of test patients in the industrial ward reveal less loss of earnings-blood this time than in the 1921 smash-up. *(p. 22)* In the banking ward, on the other hand, earnings losses are greater than ever before. *(p. 22)*

Figures

Steel still awaits the stimulus of the automobile race just started. Construction won't show much of a margin over February, but residential contracts already exceed the previous month. Carloadings reached a new peak for the year. Commodity prices seem firmer. *(p. 36)*

Main office, George A. Hormel Company, Austin, Minn. With Acousti-Celotex, there is working quiet instead of a babble of noise.

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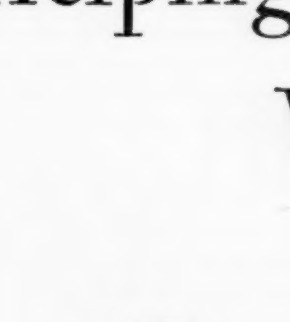

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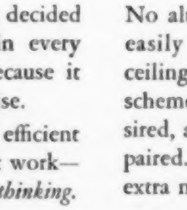

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THE BUSINESS WEEK

The Journal of Business News and Interpretation

News of the week ending April 2, 1932

House Is Balancing a Budget, Not Framing a Tax Policy

Anxiety to raise revenue has overridden all other issues, but Senate will have something to say

AFTER a flare-up of insurgency on taxation matters, the House of Representatives has returned to an announced intention to balance the federal budget. For the moment, at least, the insurgents have been repulsed.

The changed trend relieves a very general alarm caused by fear of an unbalanced budget, and of the dire results which were widely predicted in consequence. But though this fear has been allayed to a considerable extent it already has done some harm. During the brief period when it ran rampant business and the security markets suffered setbacks the effects of which will not be overcome easily.

Foreign concern also was re-aroused, so that both on a domestic scale and an international one a damper was put on incipient recovery. However, the foreign fear probably has been exaggerated, first in its consequences, and secondly in its actual volume. The wide swings in foreign exchange, for instance, were not due wholly to a flight from the dollar: speculation played a very appreciable part in them.

Following Only Alternative

Return of the House to a determination to balance the budget, however, was not the overwhelming change in sentiment that some have pictured. Actually a large majority of that body has favored a balance, and the opposition was to the sales tax, aroused largely by manufacturers. In voting numerous miscellaneous taxes the House is simply following a principle which has general backing in Washington; it is, in fact, the only alternative to a general sales tax.

The present procedure is to vote impositions on everything that appears as a possible source of a few millions of revenue. Nearly all of these are luxury taxes, which are easy to collect. This was exactly the principle which was the basis of the original Treasury proposals, except that the income taxes voted are a bit higher. Likewise, it seems to be exactly the principle which the insurgents desire. So everyone is happy—except those on whom the taxes are expected to fall.

Too definite conclusions should not be drawn, however, as to the permanency of the House measures. Even after final approval from the House, the bill must go through the Senate. And even the closest students throw up their hands when asked for a prediction as to what may happen there.

Considerable doubt exists both as to the adequacy of the amounts the Treasury has called for to balance the budget and the materialization of expected yields from taxes which the House has voted. There are good reasons to believe that the budget will lack a sizeable amount of being balanced even if Congress votes the full amount which official estimates now call for to bring about a balance.

Furthermore the principle, though moderated, is still "soak the rich." There is, of course, wide dissension as to the wisdom of such a public policy. And there is also a real possibility that the Senate may carry this principle even further than the temporarily chastened House finally did.

It looks at the moment as if the House is improvising any kind of bill that will show its determination to get the necessary revenue. It will be up to the Senate to review the whole problem in the deliberate atmosphere any measure of such importance deserves.

Critical Indicators Show Banks Still Stronger

"WHAT to Watch" indicators continue to show strengthening in the banking position along the same lines as in recent weeks, but with no noticeable result

What to Watch

These figures will be first to reflect the effects of the administration's war on depression. Encouraging changes are marked with a ★ (see accompanying text for details)

Indicators	*1932*	*% Change in a Week*	*% Change in a Month*
These should be earliest to show progress:			
Money in Circulation	Mar. 30	—0.8★	—2.6★
90 Stocks (Standard Statistics)	Mar. 31	—6.9	—12.4
40 Bonds (Dow Jones)	Mar. 31	—2.3	—2.1
Brokers' Loans	Mar. 30	+0.2★	+6.1★
Member Bank Borrowings from Federal Reserve (Bills Discounted)	Mar. 30	—4.9★	—23.6★
Federal Reserve Open Market Policy (Holdings of Government Securities and Acceptances)	Mar. 30	+2.3★	+7.1★
Bank Suspensions — Number	Mar. 24e	—30.0★	—22.2★
U. S. Gold Stock	Mar. 30	+0.2★	+0.9★
Member Bank Reserves	Mar. 30	+0.05★	+0.5★
These signs should follow promptly:			
Total Loans and Investments of Weekly Reporting Member Banks	Mar. 23	—0.9	—1.0
Fisher's Wholesale Price Index	Mar. 25e	0★	—0.9
The Business Week Index	Mar. 26e	—0.9	—1.4
Employment — Manufacturing (89 industries)	February	....	+1.2★

e—Week Ending

The Business Week

so far as credit expansion and business improvement are concerned.

Currency in circulation outside the banks continues to decline, contrary to the usual seasonal tendency. This may indicate increasing slackness of retail trade, but it means that the member banks are still building up their reserve balances with the Reserve Banks and reducing their borrowings from them.

Rising member bank reserves and declining indebtedness of member banks to the Reserve Banks continue in the latest week's figures. This tendency toward greater liquidity is still being assisted by gold imports and by open market purchases of government securities by the Reserve Banks. These purchases were more than offset by a decline in holdings of acceptances, return of currency and gold imports, so that the amount of Reserve credit in use continued to contract.

So far, the improvement in bank liquidity has not brought pressure to expand credit. Member bands during the week ended March 23 showed a large further decline in total loans and investments; but the New York member bank statement for the following week indicates that there may have been some reversal of this contraction for the Reserve system as a whole. If so, it will be the first encouraging sign that strengthening of the banking situation is beginning to reflect itself in credit expansion.

Rail Loan Policy Draws Critics' Fire

ALTHOUGH the first storm about the Reconstruction Finance Corp.'s policy on railroad loans has subsided, squalls are likely to blow up any time. Disclosures during the past week reveal that no definite policy has been agreed upon between the Finance Corp. and the I.C.C. or between the government agencies and bankers. In this touchy situation, any individual case may serve to stir up the controversy anew.

The squabble over Missouri Pacific's loan has brought Senate critics down on the Finance Corp. According to Borah, "every form of pressure within reason" was exerted on the Interstate Commerce Commission to get it to approve the loan, partly for taking up half of the road's indebtedness to bankers.

Approval was given "with some reluctance" after the road's bankers had agreed to extend the other half until Oct. 1. "We are not convinced that the Reconstruction Finance Corp. should be expected to take up bank loans of this character," said the commission. But it seems that the corporation had already authorized the loan—its main job, after all, being bank relief—so, "we yield our own views to those of that body which, as we construe the law, is charged by Congress with the responsibility for determining that question."

In some quarters President Hoover is credited with having straightened things out for the Missouri Pacific, as the banks' agreement to extend 50% of the loans and the decision to relieve the banks of the other half followed closely upon a series of White House conferences between the President and officials of the government agencies, also railroad executives.

Since the President's intervention, the commission has also approved a loan of $4,399,000 to New York Central for carrying forward its improvement program in New York. Though this is not a large sum, it represents the first advance authorized for construction purposes. It may also indicate a favorable action on at least a part of the $55-million loan requested by the Pennsylvania for its electrification work.

Reconstruction Corp. Steps Out But Doesn't Say Where

DURING the past week a change apparently has been made in the policy of the Reconstruction Finance Corp. Some argument exists as to whether the change was voluntary or forced, but that is immaterial. The important fact is that the corporation obviously intends to lend in the next few weeks at a very much more rapid rate that it has done thus far in its existence.

At this writing no informative explanation is available. One may be made when the corporation files its Apr. 1 report. But the facts are these:

The Corporation has called upon the Treasury for another $100 millions of its $500-million appropriated capital to be added to the $250 millions with which it started operations. The fact also develops that it will shortly sell to the Treasury $250 millions of the $1½ billions of debentures authorized. (In the beginning officials hoped and expected to avoid selling any debentures.) That makes $600 millions of resources available, or soon to be available, to the Corporation. There is no doubt but that it would not call in these resources unless it expected to use them.

Yet through Mar. 25 President Hoover reported that only $234.9 millions of loans had been authorized by the corporation, and the Treasury daily statement through Mar. 26 showed that only $149.7 millions actually had been paid out. Apparently, the Corporation expects to authorize $365 millions of additional loans and pay out $450 millions of funds within the near future.

To whom this is to be paid is an open question. Already 587 banks have been helped with $126.8 millions, and Washington insists that banking situation is vastly improved. If so, no extensive new amounts of money will be needed by the banks.

The President stated that total applications from 50 railroads were $356 millions. Of these $46.9 millions already have been loaned to 13 roads. The President added that total railroad needs will be between $300 millions and $400 millions and this was indicated to be for the whole year. Furthermore, railroad applications have thus far been cut down appreciably.

The only other important use to which funds have been put is for farm relief through the Secretary of Agriculture, and the amount that he can receive is limited by law to 10% of the capital and debentures. He already has received the total 10% of capital or $50 millions, and can only have $25 millions more from the $250 millions of debentures now contemplated.

Perhaps some light will be thrown on these contradictory facts soon. The quarterly report which the corporation must file as of April 1 should be made within reasonable promptness. The form which it will take is largely up to the corporation, and it is being eagerly awaited.

Bus Business Creates An Express Business

THE long-haul and suburban bus lines are beginning to realize their value as transmitters of small parcels and packages. In some instances, because of the frequency of their runs, bus companies

Acme

CRUSADERS VICTORIOUS—*Representatives Doughton of North Carolina (left) and La Guardia of New York, leaders of the fight against the sales tax, congratulate each other on their success. Now all they have to do is help their fellow Congressmen find some other way to get the money*

are in position to give the public a class of service not otherwise available. To speed up deliveries over long distances, one company—Greyhound—has worked out a plan for joint service with a transcontinental air line (*BW—Feb17'32*).

A new kind of service is now provided in the East by the formation of the Motor Express Agency, with headquarters in New York. The operations of the company will be analogous to those of the Railway Express and will consist of shipping parcels via intercity bus lines, with pickup and delivery furnished by Postal Telegraph for an additional charge. Proceeds of the transportation rate from terminal to terminal will be divided between the express agency and the bus lines on a 50-50 basis. As compensation to terminal companies, the agency will pay 5% of the transportation rate to each of the terminals involved.

Rail Earnings Rise But Traffic Doesn't

FOR the first time in more than 2 years the earnings of many railroads have begun to show an upward trend. The February income reports are encouraging. So are the expectations of an even better showing for March. However, the upturn does not reflect any improvement in traffic. It is due chiefly to savings in labor costs from the 10% wage cut, the further curtailment of maintenance expenses, and to the 15% rate case victory.

Gross revenues generally continued downward during February and, unless a pickup in traffic reverses their course, the railroad outlook will remain depressed and managements will be forced to reduce expenditures further. Except for the greater coal movement, which was stimulated by cold weather, freight loadings during March showed no signs of improvement. There is hope, however, in the automobile prospect.

Over 20 railroads so far have reported better operating results for February than for the same month of 1931. The New York Central's performance was outstanding, showing a net operating income of $2,679,318, more than $1.1 millions greater than a year ago, and the lowest ratio of expenses to gross revenues for any February since 1920. The Baltimore & Ohio managed almost to double its net operating income of February, 1931, despite the fact that its February freight revenue declined nearly $2.4 millions; Chesapeake & Ohio's net increased approximately 30%, while that of the Pennsylvania dropped only $68,000, compared with the same month a year ago. Only the Virginian reported February increases in gross and net.

The total net operating income for February of the first 56 reporting roads was $16,742,000, against $23,018,000 for the same month last year, a decline of 27.2%. In January these roads reported a decline of 65.9% compared with January, 1931. The February gross receipts of the same carriers totaled $196,867,000, against $249,903,000 in February, 1931.

Great Northern Goes Into Bus Business

ANNOUNCEMENT was made recently of the purchase by the Great Northern Railway of a sixth interest in the stock of the Pacific Greyhound, which operates buses on the West Coast. This marks a further increase in the Great Northern's holdings in bus companies and follows the completion last year, jointly with the Western Pacific, of the new rail line from Klamath Falls, Ore., to Keddie, Calif., for direct service to San Francisco. This development is also interesting in view of the dispute caused by the Southern Pacific's refusal to provide passengers coming into San Francisco next summer over the new Great Northern–Western Pacific route with through service to Los Angeles.

The Great Northern's bus deal involved a block of 70,000 shares of common stock formerly owned by the Pickwick Corp. The balance of the 420,000 shares of Pacific Greyhound common is held by Great Northern's rival, the Southern Pacific (with a one-third interest), and by Greyhound Corp.

Railroads Are Winning The Commuters' Battle

New York Central's 25% increase in commutation fares which went into effect Apr. 1 and affects the commuter traffic going through the Grand Central Terminal in New York again brings out the determination of railroads to make passenger operation pay for itself.

At the beginning of this year, the Delaware, Lackawanna & Western raised its New Jersey–New York commutation rates 25% on electrified lines, 15% on steam lines, after convincing the Interstate Commerce Commission that the old rates did not pay.

The Central's 25% increase is a compromise and will stay in force 5 months, pending the Public Service and Transit Commissions' ruling on the 40% advance requested. It is the first increase in Central's commutation rates since the war.

The argument for the 40% boost is based on the statement that commuter traffic accounts for 65% of the Central's total passenger business, but only 8% of its revenue. The road also points out that during the past 6 years it has spent $24 millions on station improvements and new equipment for the benefit of commuters.

The commuters contend that the Central is attempting to charge the commutation traffic with an undue amount of terminal and other operating expenses to justify the rate increase, and also point to the freight business developed for the railroad as a result of the growth of suburban communities.

Claims Lowest Rates

According to the New York Central, the old rates, averaging 14¢ per ride, 7 mills per mile, were the lowest commuting rates in the New York area. Under the 40% increase, the average fare would amount to 20.8¢ per ride, less than 1¢ per mile. The 25% increase now in effect is expected to add $75,000 revenue a month.

Rail commuter traffic in the New York area last year totaled 268 million passengers, against 288 millions in 1930, a decline of approximately 7%. Central carried 24.3 million passengers, Long Island Railroad 79.3 millions, Erie 26.3 millions, Lackawanna 17.4 millions, Jersey Central 12 millions, New Haven 9 millions, West Shore 8.2 millions, Westchester 6.7 millions, Pennsylvania 2.5 millions.

Both the Erie and the Long Island Railroad are trying to increase their commuter traffic by offering (at suburban stations only) special one-day round-trip tickets, good only in off-peak hours, at slightly more than the cost of one-way fare. Lackawanna experimented with a similar scheme last December and January, but gave it up. Jersey Central, Lackawanna, and West Shore are trying to increase passenger receipts by serving breakfasts and Saturday lunches on their ferry lines.

I.C.C. Stops Rate Cut To Prevent a War

Fearing that a disastrous rate war would result, the Interstate Commerce Commission has rejected Southern Pacific's proposal to reduce rates on its Sunset–Gulf route in order to meet the competition of intercoastal steamship lines through the Panama Canal.

It declared that the steamship lines could retaliate by making only a slight reduction in their rates that would either eliminate the competition of the Sunset–Gulf route or require the Southern Pacific to reduce its rates further.

It refused, however, to agree with the argument of Dollar, Arrow, Munson-McCormick, and other steamship lines that a reduction in rates on the Sunset–Gulf route would be contrary to the policy of Congress to promote water transportation.

Lower Ship Fares Won't Make 1932 a Travel Year

Many a transatlantic floating hotel has a guest capacity of more than 2,000. The *Olympic,* for instance, can carry 2,230 passengers. The *Europa,* fully booked, carries just less than 2,300. The *Leviathan* lists capacity at 2,420.

In the more prosperous years between 1927 and 1929, it was not uncommon to find virtually all of the popular transatlantic liners "booked to capacity" during the height of the tourist season. Last winter, even on a restricted schedule, many of the greyhounds sailed with fewer than 600 passengers.

Prospects for summer traffic are pretty bad. The lines have anticipated it. Rate reductions have been rumored since January. The U. S. Lines, temporarily out of the North Atlantic Passenger Conference until formalities are completed for readmission on the reorganized basis, anticipated new low rates early this week, promised the lowest transatlantic fares since 1914, averaging about 20% less than existing winter rates, and with no provision for the customary peak-of-the-season increases beginning in May. Conference members followed the trend when they assembled at Brussels.

On the new U. S. Lines schedule, rates for all grades of accommodation in first class are substantially lower, in some cases as much as 40%. The lowest first class rate for the *Leviathan* will now be $192, as compared with the former $265 summer season rate. A D-deck suite which cost $990 for 2 people in the summer season, now is scaled down to $520 the year round.

The one-way fare, tourist rate, to British ports will now be $98. Third class fares have been cut 10%, the round trip rates reduced to $130.50 to British ports.

Big Increase Needed

Bookings must increase somewhere between 25% and 35% if the new reduced rates are to bring any aid to distressed shippers. Ambitious but unrushed tourist offices are not sanguine over the year's prospects. Mass travel, which makes steamship business profitable, can't come until people have more

money, or sufficient security to warrant spending a little of what they have. The steamship companies have done what they can to encourage the public to travel, have probably done some potentially profitable "ground work" in making people travel-conscious. But 1932 is likely to be a slim season.

Reich Cannot Much Longer Pay Interest Abroad, Europe Thinks

The facts of foreign trade outweigh the assurances of officials of the Reich

EUROPEAN NEWS BUREAU (*Radio*)—With complete respect for officials of the Reich, Europe is refusing to believe the statements from Berlin that Germany will not be forced to declare a transfer moratorium on at least a part of her long-term foreign obligations, and this soon. It is possible, but not at all probable, that some unforeseen development can prevent it. It is also possible that heroic efforts may delay the move until after the Lausanne conference in June, because of the favorable effect it would have on German creditors. But it is almost certain to come eventually.

Excluding reparations payments and amortization on short-term loans covered in the standstill agreement, estimates of the amounts due in 1932 for foreign service charges and maturities which such a moratorium would affect vary from $360 to $450 millions. To meet these charges, Germans have one main source of income. That is their favorable balance of trade. Sole alternative is to dig into the gold and foreign exchange reserves of the Reichsbank, an impossibility in view of the bank's already precarious position.

Germany's foreign trade has been closely watched by *The Business Week*. During 1931 it was optimistically favorable. In July it reached $60 millions. In August, when the Wiggin committee was meeting in Basle, it totaled $86 millions. October was high with a favorable balance just under $100 millions. The monthly average exceeded $50 millions.

Exports Barred

Germany is in the fortunate position of having maintained a favorable balance of trade in 1932 in spite of the depression, the tariff barriers, and other trade restrictions, which have been raised by almost every major market. But the favorable balance is declining. In January, it was nearly $26 millions. In February, it narrowly exceeded $24 millions. This total barely covered the obligations which fell due in these 2 months. Even if the average could be maintained, it would not enable Germany to maintain payments throughout the year. And shrinkage rather than improvement is expected.

Berlin officials have one more weapon to help force a favorable balance. That is their control over foreign exchange. Already they have exerted every possible means of getting hold of the balances built up abroad by the excess of exports. Realizing that exports are likely to decline steadily unless trade barriers are unexpectedly raised, they have decided that imports must be further curtailed. Beginning Apr. 1, the foreign exchange which will be available to importers is being cut another 10%, from 65% to 55% of normal. It may be possible by these means to maintain the present average balance until the Lausanne meeting.

Germany Talks Moratorium

The *Deutsche Allgemeine Zeitung*, first German newspaper to have the courage openly to raise the question of a transfer moratorium, demanded that negotiations with creditor countries should be undertaken at once. "The continuing decline in the foreign trade balance," declares the DAZ, "is something Germany is powerless to change. We must admit that it will be necessary to limit the transfer of interest service on long-term loans. The result will probably be an arrnagement with creditors. German bonds already sell low on foreign markets. Responsible representatives of the government

Keystone

ON THE DOLE—*When Germany inaugurated unemployment insurance in 1927, nothing like this was anticipated. There are now about 6,200,000 people out of work. Some 2 million get federal aid averaging $4 a week, for the first 32 to 45 weeks of unemployment. Here is the Berlin Labor Office: thousands wait to stamp their cards, receive their allowance*

and of the Reichsbank must avoid being taken unawares. They must prepare for the moratorium, even to the working out of details."

Germany's foreign interest payments for April have already been largely deposited abroad. The Lausanne conference is scheduled for June. Here will be discussed particularly reparations and war debts; also trade barriers, foreign exchange, new methods for pulling out of the depression. Germany would like to keep up foreign commercial obligations at least until then, see if creditors might not assist in working out some fresh arrangements.

Small Gold Reserve

In the meantime, the position of the Reichsbank will be closely followed. Gold reserves on Mar. 23 totaled only RM877,088,000, as against RM880,006,000 on Mar. 7, and RM2,285,393,000 a year ago. Obviously the Reichsbank, while no more unfavorably situated than last fall, cannot withstand any large exodus of capital such as followed the crisis last summer.

Americans are obviously concerned with the outcome. More than 55% of Germany's long-term loans came from the United States. Holland and Britain are the next 2 largest holders.

The first Wiggin report listed German loans issued in the United States since 1924 at $1,253 millions, divided (in millions) as follows: Dawes and Young loans, $208; states and municipalities, $205; public utilities, $255; municipal banks, $45; private borrowers, $540. Annual interest on these loans is estimated at slightly more than $80 millions.

The situation in Central Europe is rapidly reaching an impasse. Yugoslavia, following a 40% loss in gold exchange and reserves in the fortnight following Mar. 5, has declared a transfer moratorium on private and foreign debts, including commercial loans. The amounts involved are not yet known.

Greece is meeting April interest on the foreign debts but June and July payments depend on new financing.

Austria, however, has deposited with the Bank for International Settlements her payment of June and July interest on international loans.

G. M. Decides That the Times Call for "Unity of Command"

AMERICAN business is weighing the significance for the times of an important change in industrial strategy. General Motors, its leading exponent of decentralization and independence among affiliates, has just taken a long stride in the opposite direction. It has extended the centralization activities, forecast in January by its formation of South East Sales Co. to sell all cars except Chevrolet; has now reduced its car manufacturing and selling divisions from 5 to 3; has brought the great sales ability of R. H. Grant and the manufacturing experience of W. S. Knudson to bear upon the Pontiac which, many observers believe, G.M. is grooming for the anticipated battle with the new Ford V-8.

Production of Buick and Olds has been given to I. J. Reuter, president and general manager of Oakland, former president of Oldsmobile and general director of the German Opel in 1929. Manufacturing activities of the Oakland division, which makes Pontiacs, has been consolidated with Chevrolet under W. S. Knudson, president of that division. Sales of Buick, Oldsmobile, and Pontiac have been put in direct charge of R. H. Grant, G. M. vice-president, who has been instrumental in formulating and directing the corporations merchandising policies during recent years.

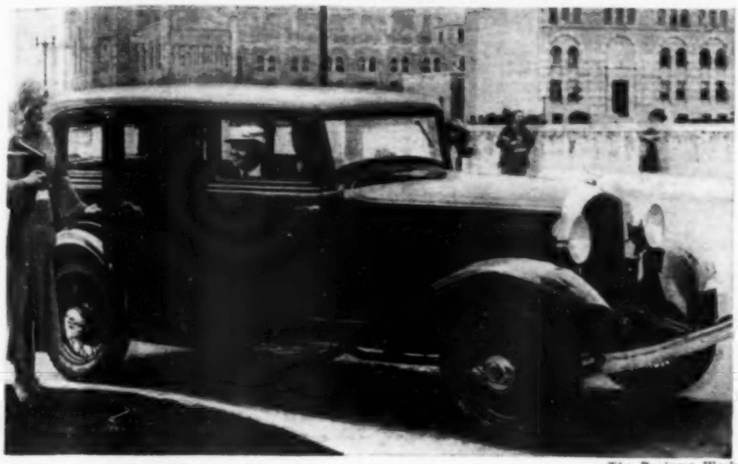
International News

STRAIGHT LINE SALES—*R. H. Grant (right) General Motors sales vice-president, heads up the new Buick-Olds-Pontiac Sales Co., of which W. A. Blees will be general sales manager*

For this stage of the war against depression and sales deflation G.M. offers, by example, the principle of the unified command. The new set-up is expected to provide greater marketing flexibility, improved parts service, a stronger sales organization, and increased efficiency in the manufacturing end. Typical of results to be obtained will be the grouping of the individual field sales staffs of 100 men each for Buick, Olds and Pontiac, into a single effective force under Mr. Grant in the new Buick-Olds-Pontiac Sales Co.

There will be 5 sales regions: headquarters at Detroit, Chicago, New York, Memphis, and San Francisco. The country will be divided into 38 zones and will be served by 33 zone warehouses after the fashion of the present Chevrolet hook-up. An important effect will be to strengthen the G.M. sales organization in the middle-price class group where competitors are especially numerous.

Most interesting result of the shake-up has been to bring together again, in control of the Pontiac, Grant and Knudson



The Business Week

FORD'S NEW 8; CHRYSLER'S ANSWER—*The new Dearborn baby is longer, faster, more streamlined, doesn't look much like its famous granddad, Model T. The new Plymouth 4 (below) appears in the same week. Third contestant in the battle of the giants is the new Chevrolet 6, announced last December, now sitting tight to see what happens*

who, in similar rôles 10 years ago, started the drive which brought the Chevrolet from comparative obscurity to the fastest selling car in 1932. Detroit suspects G.M. has the Pontiac 8 in mind as a possible foe for the new Ford V-8, should it run wild over Chevrolet. Automotive observers point to the availability of Chevrolet assembly plants throughout the country which could easily be adapted to the Pontiac 8 or a similar car should sales strategy warrant it.

The new line-up contemplates no physical change in sales or manufacturing activities. Cars will continue to be built in their own plants and none are expected to be dropped from the line. G.M. officials believe that the price overlapping among its various cars is an added competitive advantage. The present distributor and dealer organizations will not be disturbed except that where dealer representation is weak and needs financial aid it may be permitted to take on another car of the affiliated lines.

Cadillac-La Salle will continue under their own steam, except in the territory served by South East Sales Co.; Chevrolet remains completely independent in all its activities, a policy well-warranted by its continued success in recent years.

They're Off in the Great Automobile Race of 1932

THE race of the automotive giants is on. After delaying the start, Mr. Ford has come to the post with 2 new entries—his third and fourth in 20 years of competition—a 50-hp. 4 and a 65-hp. V-8. And they sell for record lows—from $410 to $600 for the 4; from $460 to $650 for the V-8, with 14 body models in each line.

By starting his 4-cylinder line at $410, $5 under the Willys roadster, Mr. Ford again assumes, temporarily at least, his accustomed position of offering the lowest-price standard-size car on the market.

Mr. Chrysler is in the race with his popular Floating Power Plymouth, for which he has lengthened the wheelbase by 3 in., increased engine power from 56 hp. to 65 hp; provided an automatic clutch optional for $8 extra, and supplied 9 body styles. Prices start at $495 for a new business roadster. A 7-passenger sedan at $725 and a convertible sedan at $785 have been added to the former line; prices of other models are unchanged.

The third entry in the automotive derby of 1932, General Motors' Chevrolet, has been in the race for 4 months; for the present will just put added energy behind its sales effort. Its price has been well above those of Ford and Plymouth but, so far, sales have not been appreciably affected by the fact.

	Specifications							Sales				
	Price*	Cylinders	H.P.	Wheel Base	Weight	Free Wheeling	Synchro-Silent	1931	Jan., 1931	Jan.,** 1932	Feb.,† 1931	Feb.,‡ 1932
Ford A	$490	4	40	103½	2,375	No	No	512,000	37,000	10,677	39,700	6,100
Ford-4	450	4	50	106	2340	No	Yes	......	......	......	......	......
Ford V-8	500	8	65	106	2440	No	Yes	......	......	......	......	......
Plymouth	495	4	65	112	2,620	Yes	Yes	89,300	2,300	3,935	2,100	2,700
Chevrolet	545	6	60	109	2,610	Yes	Yes	555,500	41,000	27,842	41,600	17,800

*Lowest price 5-passenger closed model. †48 states. ‡28 states. **40 states.

The Business Week

HOW THEY LINE UP—*Prices and selling points of the principal contenders for the mass motor market in 1932*

Good Teamwork Finally Puts Oil Across the Dollar Line

THE petroleum industry is considerably perked up by the 15¢ a barrel increase in price for Mid-Continent crude oil instigated last week by Continental Oil Co., followed by nearly all leading oil buyers in most fields. Not only has the initial increase affected rises in other fields but there has been a definite strengthening of gasoline and fuel oil markets throughout the country.

The new crude prices offer a maximum of $1 a barrel for high gravity oil. This is the price Governor Murray declared would be necessary to reopen flush Oklahoma fields closed last summer under martial law—though he subsequently opened them without waiting for it. On the basis of current output, Oklahoma producers expect to receive nearly $2 millions more per month for their oil at the new price level.

Profit Preferred

This was a particularly auspicious moment to get cooperation in a price-strengthening movement. Annual reports laid before oil executives during recent weeks have shown increased sales in 1931 but fewer profits or even greater losses than in 1930. The industry is about convinced that its reckless attempt to get business by volume sales without regard to prices was not so hot. Most of the leaders seem to be ready now to return to sanity, to adopt a price basis which will assure at least a small profit.

Also behind the price increase has been a successful curtailment campaign for production and refining activities. Stocks of crude and of gasoline have been reduced during recent weeks. So effective have these efforts been that the Oil States Advisory Committee, in its latest production estimate, suggests a daily allowance for the country of 2,373,000 bbl.—213,000 bbl. above current daily output. Four fields would be affected by the new quotas: Kansas and Oklahoma would be permitted to produce 20,000 bbl. and 29,000 bbl. more respectively than their current quotas; Texas would be cut 27,000 bbl. and California 25,000 bbl.

Textile Men Organize A Return to Quality

OVER-STRESS on price and consequent flooding of markets with inferior goods has grown to such ominous proportions that a national organization has been formed to combat it. A group headed by textile manufacturers recently organized the National Quality Maintenance League, as the spear-point of the counter-attack. Believers in honest merchandise and style in all lines will be enlisted in the campaign, which is to strike in 2 directions: The threat of shoddy goods will be dramatized for women consumers; trade organizations and government agencies will be enrolled to discourage the pirating of style and quality through cheap imitations.

Forstmann Leads

Julius Forstmann, president, Forstmann Woolen Co., is chairman of the League's general committee; F. Eugene Ackerman, vice-president of the same company, is alternate chairman. On the committee are representatives of broadsilks, hosiery, underwear, consumer publications, accepted style authorities. Details of the League's program will be presented at a meeting scheduled for early April.

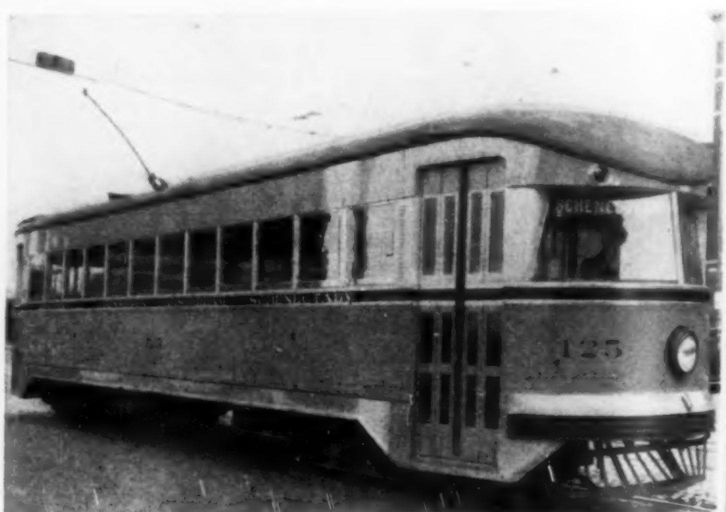
Sparks from Mr. Forstmann's initial statement illuminate the objectives: "Women have lost perspective as to what constitutes good standard of style and are losing faith in the constantly reiterated appeal of cheapness." There is a premium on "the imitator and the copyist; on inferiority of product in design, execution, and raw materials." "The public has gotten poor merchandise, and neither the manufacturer nor the retailer has made any profits."

Such points will be hammered home through the press and movies, through consumer organizations. That the public is ripe for the truth is indicated by P. A. O'Connell, president of E. T. Slattery Co., Boston, and of the National Retail Dry Goods Assn. His store, by means of prizes, induced salespeople to stress quality as against price. The result was remarkable response from customers which raised average sales. The fact that a suit marked up from $25 to $29.50 sold better, is cited as proof that the lower figure fell below the confidence level.

International Harvester Guarantees Crop Prices

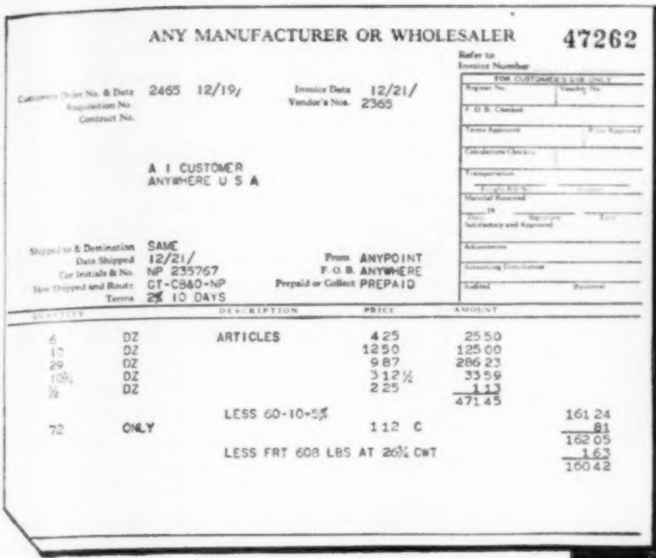
FALL prices of 70¢ on wheat, 50¢ on corn and 8½¢ on cotton are guaranteed, with limitations, by International Harvester to farmers who purchase certain large pieces of equipment—tractors, combines, stationary threshers.

International's standard terms are 20% down, 40% the first harvest and 40% the second. The price guarantee applies only to the first 40% note. On that note will be endorsed the equivalent number of bushels of wheat or corn, or pounds of cotton, at the prices named. If the average price for the 5 days preceding ma-



General Electric

SPEED TROLLEY—*Light, bullet-headed cars startled Mohawk Valley motorists with their snappy pick-up. They weigh half as much per passenger as the heavy interurbans they replaced. The Fonda, Johnstown & Gloversville R.R. found running time reduced from 93 to 73 minutes.*



ANY MANUFACTURER OR WHOLESALER 47262

Refer to Invoice Number

Customer's Order No. & Date 2465 12/19/
Requisition No.
Contract No.

Invoice Date 12/21/
Vendor's Nos. 2365

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ANYWHERE U S A

Shipped to & Destination SAME
Date Shipped 12/21/
Car Initials & No. NP 235767
How Shipped and Route GT-CB&O-NP
Terms 2% 10 DAYS

From ANYPOINT
F. O. B. ANYWHERE
Prepaid or Collect PREPAID

QUANTITY		DESCRIPTION	PRICE	AMOUNT	
6	DZ	ARTICLES	4 25	25 50	
10	DZ		12 50	125 00	
29	DZ		9 87	286 23	
10¾	DZ		3 12½	33 59	
½	DZ		2 25	1 13	
				471 45	
		LESS 60-10-5%			161 24
72	ONLY		1 12 C		81
					162 05
		LESS FRT 608 LBS AT 26¾ CWT			1 63
					160 42

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The
BURROUGHS TYPEWRITER BILLING MACHINE

MULTIPLIES ELECTRICALLY *as the* INVOICE *is* TYPED

You can make one job of billing with this remarkable new Burroughs that does all extending, discounting, totaling and other calculations as the bill is typed.

It is the only billing machine that provides direct multiplication . . . the only billing machine that types and computes the complete invoice in one operation.

See for yourself how this Burroughs Typewriter Billing Machine—the fastest billing machine made—will reduce billing costs and promote greater speed and accuracy.

For a demonstration, call the local Burroughs office or write direct for full particulars to Burroughs Adding Machine Company, 6134 Second Boulevard, Detroit, Michigan.

Burroughs

turity is less than the price named, the difference will be credited as payment on the note.

On the day the announcement was made No. 2 hard wheat, Chicago, was priced about 51¢. Should this price prevail at harvest, the credit to a farmer on a $1,000 piece of equipment would be 19/70ths of $400 or $108.57, which would be about the same as 11% cut in price of equipment purchased.

Commenting on the plan George A. Ranney, vice-president of sales, says: "We are convinced that reluctance of farmers to buy implements needed for economical production and harvesting of wheat, corn and cotton is due to present unsatisfactory prices for these commodities. In order to meet this situation and to evidence our faith that prices of farm products must soon improve, we are now offering growers of wheat, corn and cotton assurance of higher prices with which to pay notes."

Deere & Co. has announced that it will follow the same procedure but specifies that basing prices refer to No. 2 hard Chicago wheat, No. 2 yellow corn, Chicago and middling cotton, New Orleans.

Back in 1926 International Harvester made a similar offer, agreeing to take corn at $1 per bushel when it was selling considerably less. The company has never stated just what were the results of that deal.

Farm Board Motto for Today, Is "Out of Sight, Out of Mind"

Money is short, but crops may be, too; meanwhile, it won't stir up the animals

THE Farm Board has been keeping as quiet and inconspicuous as possible to avoid being noticed by the economaniacs and other wild men in Washington. It has settled down to its service functions in helping co-ops organize and carry on their work effectively. It is not doing any more stabilization and is trying to handle the stocks of farm products which its co-ops and stabilization corporations hold so as to avoid disturbing the market and inviting further criticism or investigation.

Attacks on high salaries of affiliated co-op officials have faded out under sectional political conflicts. Attempts have been made to cut the Farm Board operating budget from $1,800,000 to $1 million but agricultural organizations are afraid co-op services will be reduced and are resisting such economy.

Red Cross Wheat

The Board is somewhat short of money to carry on its co-op financing. About $50 millions cash are left out of the half billion revolving fund. Outstanding loans considered collectible amount to about $180 millions, but are mostly frozen now. If the Board has to give away 40 million bushels of its wheat to the Red Cross without being reimbursed by the Treasury, its remaining funds will fall below $10 millions. It is not expected that all this wheat will be called for, for it would be enough to fed almost 10 million people for a year. Thus far, only 4 million bushels have been taken. Agricultural organizations want the Board reimbursed for this wheat.

Congress voted $200,000,000 to the Reconstruction Corporation for loans to farm credit corporations. What is to be done with this money is agitating Washington. Secretary Hyde, who is responsible for this distribution, doesn't want to use it, said it leaves the agricultural department in the foolish position of loaning more money to increase agricultural production when there is already a surplus, began talking about using it to finance exports.

This started rumors that the Farm Board's stocks of wheat and cotton were to be dumped abroad. Short sellers became active and drove prices down. The Board denied the rumors, insisting it would keep its agreement to sell no more than 5 million bushels of its wheat till July 1 and sell no cotton till July 31. After that, what it does depends on how much acreage is reduced.

Export Problems

Chairman Stone suggested that the Board would like to see some money used to finance exports of private stocks but is not going to ask for any more money for any purpose. The Administration is hoping to find some way to sell some wheat and cotton abroad on credit without depressing prices, but has so far found no way. Altogether, the Board has sold 47 million bushels of wheat so far to China, Germany, and Brazil.

Crop prospects are still too uncertain to determine Farm Board policy in the new crop year, which begins July 1 for wheat and Aug. 1 for cotton. Cotton acreage is down about 10% and it looks like a good boll weevil year. Foreign cotton crops will be short. Although

McCrae

TREE DEPT.—*The May Co., Los Angeles department store, uses it roof as an open air sales floor where shrubs, bushes, even trees, are carried in stock. Cashier and manager are in a glass-enclosed booth*

farmers are intending to plant a third to a half more spring wheat this year than last, this will be only about the average of past years and is not as bad as it seems. The Mar. 1 winter wheat prospects are poor. Altogether, present indications are for a total wheat crop of 750 million bushels compared with 892 millions last year and a 10-year average of 850 millions. Long range weather forecasters and wheat experts see some reason to expect a short world wheat crop, and business forecasters are hoping for crop scares to improve prices.

Although the Farm Board will play possum with the politicians, it expects the inevitable investigation to give it a clean bill of health. The Norris resolution for investigation of the Board will go through, and although the appropriation for this probe has been cut in half, the agricultural groups will see to it that enough money is provided to make the inquiry cover the activities of the commission trades and the commodity markets as well as those of the Board, so that a good time will be had by all.

Agitation for investigation of the Board was intensified recently by attacks by the wool trades on the policy of the National Wool Marketing Corporation in selling large quantities of its old, coarser, and low grade mohair stocks for carpet manufacture through irregular channels at prices which depressed the mohair and carpet markets. The Board and the Wool Corporation have lost a lot of money through mohair marketing activities because of acute decline of prices, due to falling demand for mohair from automobile and furniture manufacturers who say that moths like it and ladies wearing sheer stockings don't because it scratches. Thus between the foibles of insects and the fair sex life has been made sufficiently interesting for the Farm Board, the goat growers, and the mohair merchants.

Color in Industry Has Now Proved Its Worth

COLOR in industry is no longer an experiment. Color for walls and ceilings, for machines and tools; color to reduce worker-fatigue and decrease accidents, has gained considerable recognition as a practical production tool.

T. J. Maloney, New Jersey Zinc Co., who has pioneered in developing this new interest in the industrial use of color, has gathered for *Factory & Industrial Management* experience data from a number of plants.

The Ceco Co., radio tube makers, found that the use of orange and blue reduced tube rejections two-thirds during the first week. Orange is used for contrast with the greens and blues of the gas flames of stemming machines; blue is used for its cool values in a hot plant.

Wright Arch Preserver Shoe Co., Rockland, Mass., painted its shoe machinery in light colors. Results: elimination of eye strain of workers; reduction of rejects and damaged goods almost to the vanishing point; no reportable accidents for 9 months. Interest in color, aroused in the plant, was carried back to workers' homes; local paint dealers report greater sales than for the past 5 years.

A by-product of use of color is cleanliness: machines, products, workers are better cared for. Freeman Shoe Co., Beloit, Wis., colored its machines and over half the women employees bought green smocks, trimmed with red, to match. Production results in this plant have been similar to those in the Wright plant. Increased cleanliness due to color reduced rejections.

When Toledo Scale Co. abandoned its well-known gold-bronze finish for its products, the left-over finish was used on plant equipment. The bright finish did more than manual labor in keeping the plant clean. The company is now experimenting with pastel colors to obtain similar results less expensively.

Kearny & Trecker, Milwaukee milling machine makers, use a bright red insulating paint on castings that form a part of the milling machine body. Records show that operators now do much better work on these painted castings.

Such industries as hosiery-making are particularly interested in color. Here the work is so exacting that 10 years of useful eyesight is the maximum for the average operator. Both Ajax Hosiery Co. and Schuykill Mills of Philadelphia are experimenting.

In its new engineering laboratory, the A. O. Smith Corp., Milwaukee, has definitely gone color-wise. Gray and blue are the predominating colors to maintain a quiet and cool atmosphere.

Tabulating Machines Target of Trust Suit

INTERNATIONAL BUSINESS MACHINES CORP. and Remington-Rand Inc. have been named in an anti-trust suit by the federal government. It alleges that the defendants constitute a monopoly in restraint of trade, I.B.M. having 88% and Remington-Rand 12% of the country's total tabulating business. The government attacks agreements fixing minimum rentals of machines, minimum prices for cards, non-competition for established accounts, patent cross-licensing, provisions that cards used to operate the machines must be bought from the defendants.

The Companies Say—

Officials of the companies learned about the suit through their Sunday papers. It was not until Wednesday that they received notice of the suit and a copy of the complaint. Company executives declare that they are not worried, that having such a dominating position they have naturally watched their steps, that they welcome a suit which will clear up finally what has been an uncertain situation.

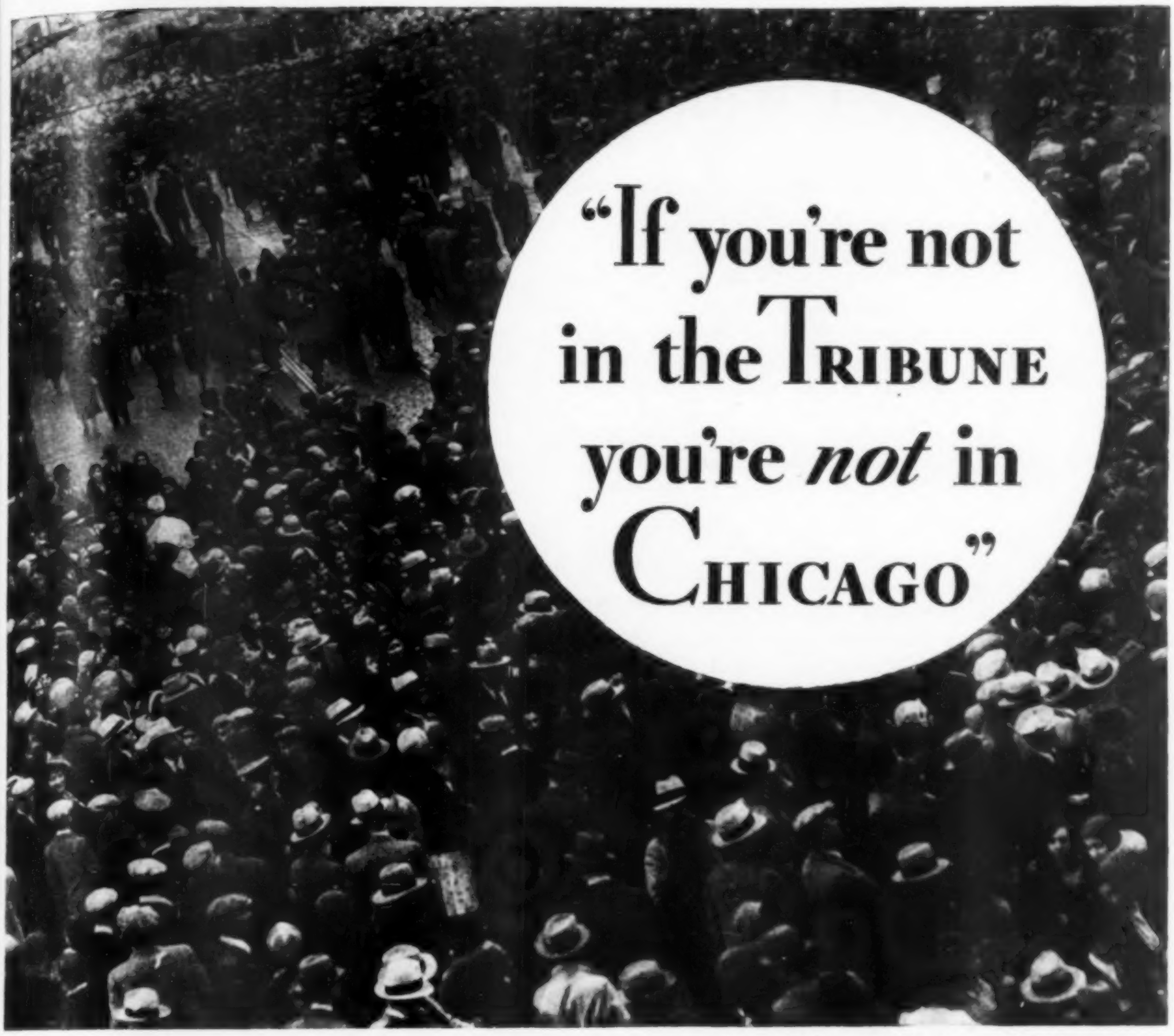
Thomas J. Watson, president of I.B.M., points out that the charge of the Public Printer which forced the suit, was brought before the Federal Trade Commission 3 years ago. After a hearing the Commission dismissed the complaint. He believes the U. S. Courts will take the same course. The government is one of the largest customers of the defendants who have been careful to see that solicitors of the different departments approved agreements made.

The Government Says—

It is alleged that the companies waived the usual requirement for the use of their own cards in machines leased to the government since a law requires that the federal printery make all cards the government uses. However, the complaint charges that the government rental of machines (ranging from \$300,000 to \$400,000 annually) is about \$100,000 higher than it would be if the defendants' cards were used.

The companies declined to comment on these points because up until Wednesday all they knew of the suit was "what they read in the papers."

Company officials also denied the statement of U. S. investigators that tabulating machines originated in a government department. They say the first machines were invented and financed by private individuals.



State Street, Chicago, center of retail merchandising for the midwest

THE true value of the Chicago Tribune as an advertising medium goes far beyond mere statistics. It is vastly more important than facts and figures, for such figures are the *result* of this value rather than its *cause*.

During the past 85 years Chicago has had many newspapers, but only one recognized voice—the Chicago Tribune — the paper always published by Chicagoans.

It is a newspaper with all the traditions of a fighting partisan for this great midwestern metropolis it so ably serves. A newspaper published aggressively, expressing the needs, ideals and achievements of the people in and surrounding Chicago. Not a newspaper published just to carry advertising, not the shadow of another city's newspaper artificially transplanted in strange soil, not an endeavor to cash-in on skillfully presented emotional appeals—but a personality grown up with Chicago that is recognized and respected by Chicago. That is the Chicago Tribune.

Although Tribune supremacy is thoroughly demonstrated statistically, its personality cannot be portrayed in figures and charts only. Why consider it in terms of some of its parts, when the *whole* is so much more important? Circulation becomes of greatest value only when favorable *community contact* is added to it. The Tribune has both. When you have studied the statistics, and analyzed newspaper influence and newspaper contact in Chicago, it comes home to you that after all, "if you're not in the Tribune, you're *not* in Chicago."

CHICAGO, TRIBUNE SQUARE — NEW YORK, 220 EAST 42ND ST. — BOSTON, 718 CHAMBER OF COMMERCE BLDG.
ATLANTA, 1825 RHODES-HAVERTY BLDG. — SAN FRANCISCO, KOHL BLDG.

AVERAGE NET PAID TOTAL CIRCULATION, FEBRUARY, 1932: DAILY, IN EXCESS OF 815,000; SUNDAY, MORE THAN A MILLION

40 Muskegon Factories to Run 3 Days a Week With Full Force

L. C. Walker persuades fellow manufacturers his plan brings economy and efficiency

UNDER the leadership of Shaw-Walker Co., 40 manufacturers of greater Muskegon, Mich., have pledged to operate their plants no more than 3 days a week until they have increased their working force to its normal size. In other words, plants now operating more than 3 days a week will add men until 3 days' operation will meet production requirements.

When operation with a normal working force at normal capacity for 3 days a week fails to meet market demands, a plant may adopt a longer work week.

A Responsibility Recognized

Muskegon employers recognize that many of the unemployed now being supported by the city were their employees during 1928 and 1929. They feel the best plan is to provide some income for all. The new plan is expected to increase Muskegon employment 21% and materially ease the city's situation.

L. C. Walker, president, Shaw-Walker Co., has long been urging industrialists to curtail during depression by part-time operation with full working forces instead of by dismissal of part of the men.

His writings dwell upon the difficulties created when a modern plant, with endless division of labor, cuts forces. When several men are used for a single operation, 10% of each man cannot be discharged to cut output 10%. Some individual must be dismissed and the work reallocated among those left. This means disorganization of a smoothly running machine.

Supervision Costs Rise

Lowest paid workers are usually the first to go. Their duties are taken over by better workers capable of more skillful tasks—a waste of man-power. Men must be taken from familiar tasks and retrained for new work. This is expensive in itself but results also in loss of production during the training period. Finally, supervision costs rise as foremen and superintendents have fewer and fewer men in their charge.

All these difficulties are avoided and many definite advantages gained, Mr. Walker believes, if the full force is retained and curtailment affected by reducing the plant's operating time. Moreover, an increase in business can be handled quickly and efficiently by longer operating schedules without hiring and training of new workers.

Social values of the plan are that fear of unemployment is reduced, morale is maintained, relief measures are less necessary.

Kellogg 4-Shift Plan Boosts Output and Profit

WHEN the Kellogg Co., Battle Creek cereal manufacturer, went from three 8-hour shifts to four 6-hour ones late in 1930, it started an unique industrial experiment whose ultimate results were in doubt. At the end of 14 months' operation, these doubts have been removed as forecast (*BW—Apr22'31*).

Among the gains now apparent are: increased daily production with the same equipment (estimated at 10%, definitely comparable figures being unavailable); increased return on capital from faster and more continuous operations; more efficient organization of workers; decreased overhead.

Employees like the plan because they suffer less fatigue, have more time to themselves. The 25% cut in time immediately resulting from a change from an 8-hour shift to one of 6 hours, was split 50-50 between workers and company by a 12½% advance in rates. Bonuses for meeting various output and quality standards have boosted pay and another 12½% rate increase has brought women workers' wages back to 8-hr. shift levels.

Battle Creek is interested in the 4-shift plan as an unemployment relief measure. At the Kellogg plant it calls for from 250 to 400 more workers—depending on current production—than would be necessary under the 3-shift plan. The mayor of Battle Creek believes that adoption of this plan by other employers would absorb all the city's jobless.

Commenting upon the industrial values of the Kellogg experiment, *Factory & Industrial Management* says that "any division of work into shifts is apt to be uneconomical from the company's standpoint, unless each shift is large enough to justify a full supervisory and

Keystone

"SHARE A MEAL"—*Some 6,000 New York food stores, both chain and independent, have installed baskets to receive donations of groceries. Collections are made daily by the Emergency Unemployment Relief Committee. Contributions are classified at a central warehouse, packed into bags for distribution through organized charities. Each bag feeds a family for 2 days. About 650 bags a day are being distributed.*

service organization. But wherever overhead charges are high in comparison with labor costs and there is expensive equipment to keep busy, the economical plan of operation is to operate this equipment fast and continuously, to make every dollar of interest, depreciation and fixed charges work 24 hours a day."

Spring Relief Drives Follow Diverse Strategy

At 9 o'clock Monday morning New York City launched a relief drive to get pledges of at least 10¢ a week for 20 weeks from every employed person in the city. More than 7,000 city blocks have been organized under Block-Aiders—9,000 of them in Manhattan alone—to canvass every person residing or doing business in the block for contributions to aid the unemployed.

Under heavy publicity pressure, including a radio appeal by J. P. Morgan—his first time on the air—early results have been highly satisfactory. First day demands for "Stamp out Want" stamps in 10¢, 25¢, and $1 denominations exceeded $5 millions.

Objectives of Drive

Immediate purpose of the drive is to provide for 20,000 unemployed persons who have been investigated and found in need but for whom nothing has been done. When and if these are cared for, other objectives will be set up. William Hodson, executive director of the Welfare Council, reports that of 700,000 applications for relief made during the past year to the Social Service Bureau, 80% were caused by unemployment.

Meanwhile the War-Against-Depression Campaign, sponsored by the American Legion, American Federation of Labor, and Association of National Advertisers (the "United Action Group"), has reported more than 350,000 new jobs, believes that the curve of unemployment has stopped its upward trend. Nearly 2,000 communities in 40 states have added to the total new jobs; the campaign continues toward its goal of 1 million.

Mr. Green Doubts

Less optimistic is William Green, American Federation of Labor, who points out that the early March gain over February employment is considerably less than in 1931, well under the normal seasonal upturn at this period. Citing the imminent exhaustion of relief funds in many communities he warns that the crucial time in

relief is fast approaching; that provision of adequate relief during the next few months will require supreme efforts in organization unless more state and federal aid can be obtained.

One of the first cities to respond to the United Action Group appeal was Utica, N. Y., which put on an intensive campaign similar to that now being used in New York. The entire city was organized and canvassed for pledges of work and cash. At the end of a 2-week campaign 3,500 pledges totaling more than $1.7 millions were received, expected to provide 3 months' work for 1,500 to 2,000 unemployed.

Pittsburgh's Problem

Pittsburgh is seeking new funds for 28,000 needy families—125,000 of the city's 1,400,000. The Allegheny County Emergency Association has carried the burden but funds are virtually exhausted with no more in sight. Personal pledges are being sought, but chief reliance is placed upon a $5-million bond issue to be voted on Apr. 26. Only other possibility is that the city may get $1.6 millions from the state's $10-million appropriation for relief—if the latter is declared constitutional by the Supreme Court which is reviewing the case.

Niles, O., boasts that it is feeding about 25% of its citizens at the rate of $1 a month each—about 1½c a meal. Careful buying and economical cooking make this unusually low budget possible, declares Mayor Ferguson. Two meals are served daily; the main meal includes ham and cabbage, pork and beans, beef stew, or spaghetti and vegetables; cereal, fresh bread and coffee is served for breakfast.

Portland, Ore., has recently completed a drive for $5 millions for make-work programs with more than $6.6 millions pledged. The United Action Group drive was combined with a clean-up and paint-up campaign in which all civic and relief organizations joined.

Railroads Made Record In Fuel Economy

AMERICAN railroads established a new low in locomotive fuel economy last year, according to the American Railway Association.

Fuel required to haul 1,000 tons of freight and equipment, including locomotive and tender, a distance of 1 mile, averaged 119 lbs. The American Railway Association announces that this is 2 lbs. less than in 1930.

Keystone

"JUST LOOKING"—*Owen D. Young, chairman of General Electric (right), talks things over with Senator Wagner in the Capitol corridor after attending a session of the Senate Banking Committee. He said he was just a spectator with a personal interest in national finance*

Walsh Offers Business Easier Anti-Trust Laws—At a Price

As usual, the price is high and business enthusiasm cools very quickly

DEMAND by the U. S. Chamber of Commerce, the American Bar Association, and organized business generally for modification of the anti-trust laws is met by Senator Walsh of Massachusetts in a bill now before the committee on interstate commerce.

He would give the Federal Trade Commission authority to approve in advance contracts among competitors to regulate production, pool sales, and otherwise check cut-throat competition. Once a contract is approved, the signatories are granted exemption from provisions of the anti-trust laws. Thus the bill embodies one of the plans most widely approved for wiping out the evils of overproduction and its train of ruinous consequences.

No Monopoly

But, Senator Walsh remarks, "If my proposal contained nothing beyond the provision for such advance approval of cooperative contracts, it would open wide the door to price fixing and monopoly."

So the bill provides for supervision. Concerns granted exemption from anti-trust prosecution must pay fair wages, charge fair prices. If they do not, the Federal Trade Commission can revoke the exemption. Anti-trust laws again govern. The commission is enlarged to 9 members, is given real powers to supervise the affairs of business operating under its permits.

Business Alarmed

It is this proposed expansion of government supervision that has brought quick and alarmed opposition from business interests. Business usually is enthusiastic over the idea of shaking off the fetters of the anti-trust laws, and usually loses its enthusiasm as soon as the price is mentioned.

Already it is pointed out that Senator Walsh proposes government regulation which goes beyond anything suggested heretofore.

The commission's powers to go into the affairs of business are put virtually on a par with those of the I.C.C. with respect to the railroads, or the Comptroller of the Currency with respect to the banks.

For instance, the F.T.C. can demand regular reports of any character it may wish not only from industries seeking dispensations from the anti-trust laws, but from all of them except railroads and banks. Also it is given broader enforcement powers.

The Progressives want the bill transferred to the Judiciary Committee, of which George Norris is chairman and Blaine of Wisconsin an active member. This committee already has several other measures of a somewhat similar character, including one introduced by Senator Nye, of North Dakota. This alarms business even more, as lessening opportunities for conservative amendment.

Rayon Makers Reduce Industry Output to 60%

THE rayon industry is rapidly setting its house in order. With full recognition that its greatest asset is the industry's close control, it has followed the recent lead of the Viscose Co. and has cut output to 60% of capacity. This is no haphazard attempt to cut stocks but is the result of firm conviction by the entire industry that orderly curtailment of output is certainly desirable now if ever.

This growing spirit of cooperation was evidenced a few weeks ago when a pooling of production statistics through Tubize Chatillon Corp. was effected. Curtailment by individual concerns varies with their condition but all are watching stocks as never before and are trying to establish and hold to the minimum the requirements for their particular conditions of size and process.

Hit By Cheap Silk

Immediate cause of curtailment was the shrinkage in rayon sales brought on by continued silk price declines, by hesitant buying, and by a cold March. Silk competition seems of first importance. It has cut into sales of fine denier. Rayon interests are convinced further price cutting is not the answer. They believe price stability to be the one big advantage rayon has over silk and do not intend to let it be carelessly destroyed.

Besides, there is no room for price cuts. The days when the industry could casually drift into a price war are gone; today profits are so low that even a slight price concession would wipe them all out.

Earnings of 379 Industrials Not So Badly Off as in 1921

Balance sheet of 171 corporations reveals greater liquidity, lower fixed charges

BUSINESS, like banking, followed a policy of increasing its liquidity and reserves in 1931. Like individuals, it struggled hard to reduce its fixed expenditures, and made considerable progress in that direction. Also like individuals, it drew upon its savings in the course of the year. It saw its earnings on capital decline.

But it has found that the present depression, though of longer duration, has not proved so severe from an income standpoint as 1921. Studies by Ernst & Ernst, accountants, show that for 379 industrial corporations earnings dropped 91.64% from 1920 to 1921, and only 78.09% for the same companies from 1929 to 1931.

Trend Toward Liquidity

A combined balance sheet of business as measured by 171 industrial concerns compiled by Standard Statistics and printed below shows the trend toward liquidity. All receivables declined 15.4% and inventories were pulled down 19.1%. Cash and its equivalent rose 4.6%.

Current liabilities were reduced 19.4%. Although net working capital thus dropped 9.8%, the current financial position was fortified, the ratio of current assets to current liabilities rising from 6.3% to 6.9%.

In the long term portion of the balance sheet substantially the same trend was in progress. Property accounts declined 2.6%, intangibles dropped 2.6%, and other fixed assets were 10.8% less. Investments rose 8.7%. Funded debt and preferred stock declined 5.6% and 1.7% respectively and common stock and surplus dropped 5.9%. This permitted a rise of 3.3% in reserves and 9.3% in other liabilities.

The aggregate income account shows the results of lesser fixed obligations; fixed charges declined 9%, though they were still so fixed as to cause net income to decline 47.3% compared with a drop of only 42.4% in net profits. Preferred dividends declined 13.7% and common dividends 24%.

The balance after dividends for these 171 companies in the aggregate was a deficit of $118 millions in 1931 compared with a deficit of $10 millions in 1930. Surplus for the year showed a deficit of $199 millions compared with a deficit of $48.7 millions in the preceding year.

The percentage earned on invested capital dropped to 4.9% from 8% in the preceding year, while the percentage earned on property and investments combined dropped to 8.6% from 14.7%.

Bank Earnings Have Slumped to New Low

THIS depression has brought a collapse of bank earnings entirely unparalleled in this century, and somewhat more severe than that suffered by corporation income. A University of Chicago study of national bank profits through the fiscal year 1931 shows a decline of 82.6% from the high of 1929 as compared to a decline of 78.2% in corporate income from the calendar year 1929 through the calendar year 1931. National bank earnings in the fiscal year 1931 were 25% below the previous low of this century, recorded in 1900, and a decline has unquestionably occurred since that time.

Disappearance of bank net earnings has been due largely to increasing losses and depreciation, both of which items always rise rapidly in depression. Bank gross income was fairly well sustained. Expenses and taxes showed a slight decline.

A steady upward trend in the ratio of expenses and taxes to gross earnings marked the whole 31-year period. Ratio

Two Years of American Business
(Composite Income Account and Balance Sheet, 171 Industrial Corporations, 1930-31)

Income Account	(Absolute Numbers in Million Dollars) *1930*	*1931*	% *Change*
Net profit	$515.33	$297.55	—42.2
Fixed charges	67.62	61.59	—9.0
Net income	447.71	235.96	—47.3
Preferred dividends paid	58.30	50.33	—13.7
Common dividends paid	399.74	303.67	—24.0
Balance after dividends	d10.33	d118.04	......
Surplus debits	82.74	112.19	+35.6
Surplus credits	44.28	30.98	—30.0
Surplus for year	d48.79	d199.25	......
Total invested capital	6,443.39	6,105.82	— 5.1
Percentage earnings on invested capital	8.0	4.9	......
Total property investments	3,502.99	3,458.93	— 1.3
Percent earnings on property and investments	14.7	8.6	......
Aggregate market value of common stocks—			
High	$8,162.4 (April 10)	$5,906.5 (Feb. 24)	
Low	$4,958.7 (Dec. 16)	$2,701.6 (Dec. 17)	

d—Deficit

Balance Sheet	(Absolute Numbers in Million Dollars) *1930*	*1931*	% *Change*
Assets:			
Property accounts, less depreciation, reserves, etc.	$3,071.84	$2,990.27	— 2.6
Investments	431.15	468.66	+ 8.7
Intangibles	380.38	370.60	— 2.6
Other fixed assets	136.64	121.83	—10.8
Current Assets:			
Cash and equivalent	875.73	916.01	+ 4.6
Receivables	659.54	557.86	—15.4
Inventories	1,464.15	1,184.66	—19.1
Total Current Assets	$2,999.42	$2,658.53	—11.4
Total Assets	$7,019.43	$6,609.89	— 5.8
Liabilities:			
Funded debt	$1,027.81	$970.52	— 5.6
Preferred stock	907.19	891.38	— 1.7
Common stock and surplus	4,386.95	4,128.82	— 5.9
Capital reserves	111.44	115.10	+ 3.3
Other liabilities	110.14	120.33	+ 9.3
Total current liabilities	475.90	383.74	—19.4
Total liabilities	$7,019.43	$6,609.89	— 5.8
Net working capital	$2,523.52	$2,274.79	— 9.8
Current asset ratio	6.3	6.9	......

Standard Statistics

of net earnings to gross declined irregularly from 40% in 1900 to about 18% in 1930, then collapsed to about 4% in 1931. Ratio of losses to gross was irregularly varied from 10% to 20% through the period until 1930, then rose to nearly 30% in 1931.

Savings Banks Restrict Interest to Real Savings

Six New York City savings banks which have been following a policy of unusual liberality to new depositors fell back into line this week. They have been allowing interest from day of deposit to day of withdrawal; hereafter interest will be allowed from day of deposit to withdrawal only if the funds remain in the bank until the end of the quarter.

The idea is to discourage the entry into saving banks of other than actual savings funds, also to conserve resources. Included in the 6 were the Bowery and the Emigrant Industrial, respectively first and second in size among the mutual savings banks.

There have also been recent downward readjustments of rates paid to depositors, and there are rumors that these may proceed further. The majority of New York city mutuals now pay $3\frac{1}{2}$%, a few still stick at 4%. The average for all New York state mutuals in 1931 was 4.15% compared with 4.43% in 1929, which was the highest since 1879.

Municipal Power Issues Fought Out in Missouri

The battle over municipal ownership and operation of electric utilities is getting particularly hot in Missouri; courts there have 3 suits before them in which various features of the conflict will be aired.

In Campbell, officials of the city and of Fairbanks, Morse & Co., have been cited in contempt of court proceedings by U. S. District Judge Faris of St. Louis because of their operation of a municipal plant in alleged violation of a federal injunction issued a year ago.

The citation follows a complaint by Arkansas-Missouri Power Co. which holds a franchise in Campbell. A year ago Judge Faris enjoined city officials from operating the municipal plant on grounds that the city's legal debt limit had been exceeded in purchasing it. This ruling was later affirmed by the U. S. District Court of Appeals.

Then the city entered into a new contract with Fairbanks, Morse, which had

furnished equipment for the municipal plant, and continued to operate it. The power company complaint charges violation of the state constitution in that ownership of the plant is divided between the city and Fairbanks, Morse and adds that it has suffered great loss through the competition.

In Shelbina officials have been temporarily enjoined from building a 5-mile electric transmission line to Lakeman. Plaintiffs charge before the Circuit Court that the contract by which Shelbina would furnish power and light to Lakeman might become a burden and increase Shelbina taxes.

Bond Issue at Stake

Down in Liberal, Mo., the Ozark Utilities Co. has appealed to the State Supreme Court from a Circuit Court ruling that a $22,000 bond issue voted by Liberal citizens for the construction of a municipal electric power plant was not necessarily invalid although it exceeded the statutory limit of 5% of the assessed valuation of the town.

The utility, with 38 Liberal residents, opposed the municipal plant project and brought suit. Pending the decision, work has been held up on construction but plaintiffs have been required to post a $10,000 bond to guarantee damage payments should they find themselves losers in the suit.

Plaintiffs charge that not only was the bond issue invalid because it exceeded the debt limit but that by contracting for erection of a municipal plant it is being spent for a purpose other than that for which it was voted. The city intended to build a municipal distribution system only, to buy current from a Kansas utility. Negotiations with the utility were unsuccessful so contracts have been let for a complete generating and distributing system.

Doubt Tempers Enthusiasm Over Chadbourne Plan

DESPITE all the time and effort that have gone into its making, the Chadbourne plan to restrict world output of sugar, now that it has seemingly been accepted by all the signatories, has had singularly small effect on the market. Sugar prices have failed to react upward and important world markets have accepted the final decision complacently.

According to the final plan, now reported to have been accepted in Europe, Cuba's 1932 crop is to be limited to 2.7 million tons, which is 361,000 tons less than the Cuban In-

stitute had indicated would be the total. Java is to export only 1.5 million tons this year. Europe and Peru, other important members of the International Council, agree to reduce their exports to the extent that Java may overstep this total. It was this guarantee which induced the Cubans to reconsider the whole question. To cut to 1.5 million tons, Java reduces production 60%, or 900,000 tons.

Precedents Are Unfavorable

At least one reason for the apathetic reception of the news is the fact that no large-scale restriction scheme has yet worked effectively. Only a few weeks ago the Dutch and the British gave up 6 months of negotiating on a plan for curtailment of rubber production because they could see no way to curb native output. Brazil's latest coffee restriction scheme has had a degree of success this year but it is too early to know if it can bring any long-term benefit to the producers. World sugar interests are more sanguine than convinced of the outcome of this newest venture in restriction.

Sugar Industry Encouraged By Progress on New Uses

RESEARCH workers have long been trying to discover new uses for sugar. Their hope has been to make this product less dependent on human and more on industrial consumption. Possibilities are viewed with encouragement.

Some of those being investigated at the Mellon Institute of Industrial Research were described at the American Chemical Society convention in New Orleans this week by Drs. Gerald J. Cox and John Metschl of the Institute's research staff.

Tests have shown that, if as little sugar as 6% of the quicklime is included in lime-sand mortar, the tensile strength is increased about 60%. At the present price, the addition of 5 or 6 lb. of sugar for each 100 lb. of lime would add very little to the cost of laying bricks or plastering walls.

A sugar substance, called sucrose octaacetate, has been found valuable in certain types of lacquers and adhesives and in the fabrication of paper. A similar product, sucrose benzoate, has applications in the same fields.

By treating sugar with acid at high temperatures, a substance called levulinic acid is produced, and when this is combined with certain alcohols, fragrant esters are formed having useful solvent powers.

French Business Will Fight Embargo on Our Typewriters

Protest, already in, points out that the home industry cannot supply the home demand

EUROPEAN NEWS BUREAU—The rumor has arrived in Paris from the United States that France is going to place an embargo on imports of American typewriters. French authorities have refused to discuss, or deny, the report. In view of the recent import quotas, most of them favoring Continental manufacturers, Americans are uneasy. Imports into France last year of American typewriters and office equipment were valued at more than $3 millions.

Worries are not confined to Americans. The Chambre Syndicale de la Mécanographie has addressed a protest to the Minister of Commerce, cites the following reasons why there should be no limitation on the imports of these products:

Needed in Their Business

(1) They are not de luxe articles, but machines which are needed by public administrations and business men.

(2) French manufacturers of typewriters are not in a position to supply the needs of the domestic market. Of the 22 different makes of machines on the French market, only 3 can be considered more or less French: Japy, owned by Senator Japy; Map, from which the label "Unis-France" has just been removed and which is in reality a Belgian machine manufactured in France; Contin, the manufacture of which seems to have been discontinued late last year. The number of machines manufactured by the above 3 companies does not equal 10% of the total necessary for the French market. Nor do they compare in quality with the best American machines. If the French government did not buy the French machines they could not continue to produce in free competition with American machines, in spite of the fact that the American machines sell at an average of 25% higher than the French makes.

(3) There is no production of really French bookkeeping machines.

(4) The French manufacture of calculating machines is limited to Château & Sanders. These machines are of a very old type and cannot compete with the modern machines in current use.

The Chambre points out that the French industry is not in a position to supply, either now or in the near future, the number of office machines needed by French business men, and points out that the free importation of American machines, under present conditions, far from hindering the French industry, can only favor its further development.

It is significant of the position of the industry that, where only 1,000 French workmen are employed in the domestic factories producing this type of machinery, more than 10,000 Frenchmen are employed by the importers of foreign office machines.

—

While American exporters in New York still have had no confirmation from their Paris representatives that the rumor is more than a rumor, there is considerable uneasiness because of the avalanche of import restrictions which the French have levied in the last 4 months (*BW—Mar30'32*). No report from Paris of further restrictions is unexpected any more.

Though American manufacturers are still unwilling to believe that the French will go so far as to place a complete embargo on their products, some credence is attached to the rumor because Germany is the most potent competitor in the French market and recent import quotas have in almost every case favored the Germans. If French discrimination against American products goes so far as an embargo, the recently developed association of exporters to urge Washington to force tariff bargaining is likely to win wider backing from American business.

Steel Barometer Reflects The Storm Over Germany

EUROPEAN NEWS BUREAU—Steel is a fair index of industrial activity in Germany as in many other countries. According to the most recent figures released by the Government Bureau for Business Research, iron and steel consumption in 1931 was less than 25% of the total for 1930. And even this figure was due only to the relatively satisfactory sales during the first half of the year. After the outbreak of the credit crisis in July, conditions got so much worse that, by the end of the year, consumption did not exceed 12% of the 1927 ("normal") level. The practical-minded Research Bureau remarks that this low level of consumption is less than the normal replace-

FIRST SOVIET TYPEWRITER—*This laboratory model, strongly resembling the American-made Underwood, will be produced in quantity this year in a new factory near Leningrad. Production in 1933 is scheduled for 25,000 machines and 5,000 sets of parts*

ment demand caused by the mere wear and tear on machines.

The importance of foreign sales to Germany's iron and steel industry is also pointed out by the Bureau. Last year the normal relation of exports to total production rose from 19.7% in 1927 to 68.3%, these figures applying both to steel and to finished goods. These exports were sold at more than 50% below domestic prices.

Cartel Production Off

Surveying Europe's major steel producers through the report of the Steel Cartel, the London *Statist* points out that conditions in every member country except Belgium are bad. According to the report, the cartel produced only 22,721,000 tons of steel last year, against an allotment of 26,280,000. Actual production of all the members was thus only 86½% of the allowed total, barely 61% of capacity.

But Germany was mainly responsible for these percentages. She fell behind her quota nearly 30%, whereas France was only 2% below the quota, and Belgium actually exceeded the quota.

The trend of production is neatly plotted in the report:

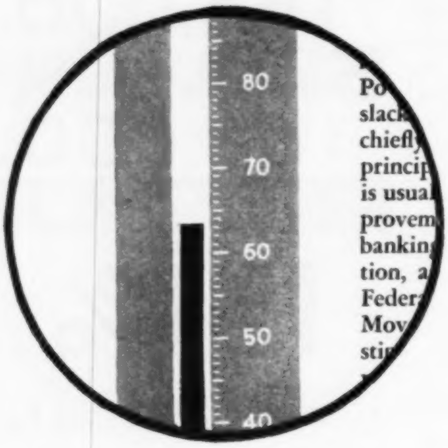
	January 1932	*December 1931*	*January 1931*
	(000 metric tons)		
Germany	400	439	773
France	469	535	746
Belgium	243	242	263
Luxemburg	146	150	172
Sarre	111	93	160

It is interesting to note that the same source shows Russian output in January was 516,000 tons, or higher than that of any other European country.

Canadian Coal Relief To Cut Imports From U. S.

OTTAWA (*Special Correspondence*)—Canadian purchases of United States bituminous coal will be cut 1 million tons annually under federal arrangements for relieving the coal industry of Nova Scotia, now in distress. Large consumers of bituminous in Ontario and Quebec will substitute Nova Scotia coal for American coal to that amount, the difference in cost being paid out of the public treasury.

This new subsidy to the Maritime coal industry is in addition to federal subventions on the transportation costs of Nova Scotia coal to Central Canada which have been paid for some years but which were not sufficient to rescue the industry. The duty on American bituminous may also be raised slightly.



Know the Averages

—but don't bow to them

Averages are made for the man who can take them or leave them alone. Unfortunate indeed is the man who becomes addicted to them. He is doomed to mediocrity.

The Business Week Index is designed to indicate a trend—not to serve as a measure of *your* current expectancy. It shows the average state of some two and a quarter million businesses, which range from the giant A. T. & T. to Mr. Schultz's hole-in-the-wall delicatessen and Pete Alphopopolis' Shoe Shining Parlor. It averages some businesses that are running two hundred percent of normal and some that are doing only twenty percent. For every business that is doing less than the current average there is another that is doing more. It's the average of a wide range.

If you are content to be average then hitch your wagon to that fickle star. But before you resign yourself, ponder well the phenomenon that in almost every category some business is going ahead in spite of the average or the trend. Management, courage and ideas have shown themselves capable of rising above general business conditions.

Most of the companies that licked the average and the trend in 1931 generously credit courageous and intelligent advertising. To them the average was a mile post—not a terminal.

The man who says that all business is rotten or depressed or subnormal is dealing in an average—or an alibi.

Germany "Solves" Its Chain Store Problem by Decree

But the very stringency that has forced this kind of solution is fostering chain success

EUROPEAN NEWS BUREAU—Germany, as well as the United States, has its chain store problem.

It was the American Woolworth Co. which made the German public "chain-store conscious" (*BW—Feb18'31*). Seven years ago this company started pioneering in Germany. Germans picked up the idea, and when retail trade figures were studied at the end of 1930, the 4 leading chain stores, including Woolworth, showed a gain of 58%. The rest of the country's retail trade—and it was more than 90% of the total in 1928, last year for which there is a complete breakdown of the data—was already reflecting the slump.

Expansion Interrupted

The new setback came on Mar. 10. Almost on the eve of the important presidential elections, Chancellor Bruening issued a decree which prohibited the opening of any new units of the one-price chains in cities with a population of less than 100,000 for a period of 2 years, or until after Apr. 1, 1934. Already scheduled were: 4 new units during the next 2 years to the present chain of 70 Woolworth stores; 4 units for Epa, one of the largest of the German-owned chains; 4 to 6 for Erwege, important domestic chain controlled from Duesseldorf.

Conflict between the independent retailers and the chains started in 1929 when the depression cut heavily into sales of all but the chains. The German public obviously liked the 5-and-10 idea. When the slump drove many manufacturers to the wall, the chains bought up their entire stocks at ridiculously low prices, offered the public exceptional bargains.

Woolworth Pioneers

Woolworth pioneered and scored a success with restaurant service. To the German housewife, cheap meals served in the store where she was shopping was a practical innovation. "Huhn mit Reis" for 10¢ was one more bargain, as well as a convenience.

Independent retailers would have suffered from this popular new type of retailing even in normal times. In a depression, with their own trade falling away while the chains were spreading and thriving, it was too much. The March decree was a desperate comeback on the part of the less prosperous but more numerous independents. Bruening was forced reluctantly to support them, at least for the time being.

German decrees have struck not alone at the chain stores. In Germany, the department stores handle about the same proportion of the retail trade that the chains do—less than 6% of the total in each case. But where the chains have flourished even in the last 2 years, department stores have fared less well. In 1931 their sales declined 14.7% compared with 1930. The decline, however, was largely caused by lower prices, for the volume turnover was well maintained. Foodstuffs, in particular, held up well. In fact, Germans look on the chains and the department stores as developing particularly successful methods of distributing food products.

Department Stores Protest

The National Association of Department and Chain Stores has issued a strong protest to the decree. They point out that it is futile to try to stop by law better and more economic forms of merchandising, that government protection will ultimately do more harm than good to the independents. They point out, too, that more than 2 years ago the Reichstag levied a super-tax of $\frac{1}{2}$% on the turnover of department stores to be paid in addition to the normal turnover tax which is paid by all retailers. But they have continued to make headway against the less aggressive and less economic independents.

Real impetus for the decree grew out of the Hitler campaigns. Looming large in the Nazi platform, large at least to the retail business, is the promise that the "wicked department stores must be abolished." While not slow to adopt new methods when they are proved superior to old ones, the small German retailer has had a hard struggle in the years since the war, and the depression, which started in Germany before it reached many other countries, has forced many into bankruptcy. Even those who have been able to keep liquid, or the more aggressive merchants who have formed their own cooperatives, have,

with increasing bitterness watched the gains made by the chains.

German chains will not be able to expand so long as the decree stands but it can scarcely affect the increasing popularity of existing units. The very stringency which has driven the government to take the measure is driving the public to buy where it can get the best bargains. When the present artificial setup which is holding Germany together can be removed, and German business is again allowed to flow in natural channels, German chains are likely to thrive. That is, unless Hitler forces come into power. Then the change promises to be in another direction.

Reichsbank Lends a Hand On the Soviet Orders

EUROPEAN NEWS BUREAU—The Reichsbank has agreed to rediscount another $30 millions of Soviet bills. Technically these new rediscount facilities will apply only to old orders which certain German firms are finding difficulty in financing on the long-term basis on which they were contracted. Actually, it is thought that at least a few firms will avail themselves of these facilities and take on a limited amount of fresh Soviet business at their own risk.

In a special trade arrangement with the Russians, the Reichsbank last year made guarantees to German manufacturers covering $250 millions of Soviet orders placed largely between April and October. By the time this guarantee had been exhausted Germany was in such financial straits that it was necessary to refuse to guarantee further orders despite the fact that German industry was desperately in need of the business and that the Russians had proved to be "good pay," though on a 24-month (average) contractual basis.

Because domestic business has shrunk to less than 50% of normal, some German manufacturers have nearly been forced into bankruptcy. It is to keep these companies liquid when their only outstanding credits are Soviet bills, that the Reichsbank has agreed to extend this additional $30 millions.

Berlin is watching with interest new Soviet orders just placed with Ruhr manufacturers for a reported 300,000 tons of iron bars and sheets. It is rumored that orders for another 200,000 tons are pending. Credit terms have not yet been made public, but it is likely that they exceed 12 months.

Wide Reading

MARKET FACTORS LIMITING CHAIN-STORE GROWTH. Ewald T. Grether. *Harvard Business Review*, April. Five factors are checking the expansion of food chains: (1) Public demand for service and non-staple merchandise; (2) stability of population growth; (3) group solidarity; (4) topographical difficulties; (5) opposition of powerful retail merchants' associations, and of well-organized cooperatives.

OUR ECONOMIC MAP. John W. Frey. *Survey Graphic*, March. A first lesson in what we can learn of our natural resources from our economic map that will help us lay the foundations for a more consciously ordered national life.

THIS YEAR'S STRATEGY IN FOREIGN MARKETS. Earl K. Loverud. *Class & Industrial Marketing*, March. Opportunities around the world for sales of machinery to modernize non-mechanized plants.

BRITISH "BIG FIVE" BANKS IN 1931. Thomas R. Wilson. *Commerce Reports*, Mar. 21. Britain's branch banking system withstood 1931 well. Net profits were off only 8½%. Significant developments of interest to American bankers.

THE REALISM OF JAPANESE DIPLOMACY. Lincoln Colcord. *Harpers*, April. What Japan is after, how she will get it, why she wants it, how China will react.

THE PROTECTION OF AMERICAN FOREIGN BONDHOLDERS. Allen W. Dulles. *Foreign Affairs*, April. What France and Britain have done to protect bondholders. Difficulties which American bondholders face.

JAPANESE FINANCE SINCE THE WAR. A. Andreades. *Foreign Affairs*, April. Budgets, taxes, expenditures, yen, gold, trade balances. Interesting in view of possible pending financial stringency, inflation.

THE ANCESTRY OF SHORT SELLING. Dr. Max Winkler. *American Bankers Association Journal*, March. As long ago as 1610 the Dutch tried to abolish the practice. It is still contested.

THE AMERICAN FRONT. Lewis L. Lorwin. *Survey Graphic*, March. Contrasts between Socialist, Fascists, and Capitalist planning.

BOOKS

THE UNITED STATES IN WORLD AFFAIRS, 1931. Walter Lippmann and William O. Scroggs. Harper, 375 pp., $3. A syllabus of the high spots in last year's mixed foreign relations. Keen, terse analysis of the most significant events.

MEN, MONEY AND MERGERS. George L. Hoxie. Macmillan, 231 pp., $2. Events in the power industry leading to the depression. Shall sturdy individualism be preserved or shall we, little by little, shift one industry after another into government hands, until national socialism is achieved?

THE SOUTH AMERICAN HANDBOOK, 1932. H. W. Wilson Co., 626 pp., $1. Latest edition of business man's handbook for commercial travel in Latin America.

LATIN AMERICAN PROBLEMS. Thomas F. Lee. Brewer, Warren, & Putnam, 339 pp., $3.50. Influences at work in Latin America behind the $1¼ billion drop in American investments south of the Rio Grande.

Business Abroad—Swift Survey Of the Week's Developments

World business has failed to stage a spring revival. . . . All markets are dull, with the British in the best relative condition. . . . A few faint signs of improvement in France are lost in worries over the budget, elections, Germany. . . . Berlin may be able to postpone a commercial transfer moratorium until after Lausanne, but none is certain enough to be hopeful. . . . Yugoslavia has joined the transfer moratorium group; Greece is probably in too. . . . Japan is making the most of a small boom in industrial orders from Manchuria.

Europe

EUROPEAN NEWS BUREAU (*Radio*)—Continued economic improvement in Great Britain, and continued disintegration on the Continent—this sums up the European situation. Here and there faint signs of seasonal activity are evident in the consumer industries, but heavy industries show no improvement. Unemployment has reached its peak, but seasonal reabsorption certainly will be below normal, will mark a new rise in average levels.

Commodities are weaker, notably cotton and tin. Stock markets are heavy though they have resisted the panic which hit Stockholm when the preliminary Kreuger report was made public.

Money is easier in the seaboard countries but unrelaxed in Germany and in the interior. Sterling advanced again, is fluctuating unsteadily. Sentiment generally is fair, notwithstanding many uncertainties.

Outstanding among the favorable developments are:

(1) British treasury repayment of another \$50 millions to Franco-American bankers, leaving \$135 millions due in August. The reflux of capital to London continues. Authorities are making no effort to stabilize the pound but are seeking to dislodge speculation by shifting temporary pegging points. Part of the strength of sterling reflects the relative weakness of other currencies, though the announcement of conversion operations and the shift of last autumn's budget deficit into a \$50-million surplus are encouraging.

(2) Conclusion of the new copper restriction scheme, the prospect of a new revision of the tin agreement, and the compromise on sugar quotas have been favorably received.

Unfavorable factors predominate:

(1) The committee investigating the conditions of the Kreuger interests reports that the position of the company is untenable and a moratorium desirable since the liquidation value at present superdepreciated prices would probably be insufficient to meet liabilities, even excluding participating debentures. If the report is correct, a calculated loss of 1,017 million crowns has been incurred since the 1930 balance was released, but outsiders are able to account for only half of such a loss and are inclined to consider the report overpessimistic. It is also noted that the investigating committee includes a previously rival banker, Jakob Wallenberg (Stockholm Enskilda Bank, and "pulp king") who is interested in acquiring especially the Kreuger pulpmill holdings. Publication has probably caused an unjustified panic in Stockholm, and nearly all industries and banks affiliated with Kreuger suffered losses ranging from 30% on Skandinaviska Kredit Bank and Swedish Match, to 70% on Graengesberg and Ericcson shares.

(2) No credence is placed in the German government's denial that a moratorium is contemplated (page 9).

(3) Yugoslavia has declared a transfer moratorium on private and foreign debts. Greece is reported unable to meet interest payments. Austria has deposited with the World Bank June and July interest on international loans.

(4) Disappointment over the failure of credit expansion yet to improve business in the United States is a distinct factor in European sentiment.

Germany

Business is drifting downgrade. . . . Markets are overshadowed by gloomy stockholders' reports, Junkers insolvency, fear of Kreuger troubles. . . . Further import curbs may delay transfer moratorium until after Lausanne conference. . . . Wage deflation probably at an end.

BERLIN (*Cable*)—Germany put business on the shelf last week and entered whole-heartedly into the Easter holiday celebrations. Trading on the Boerse was slow and prices were weak. So far this year there has not been a single sign of any seasonal upturn.

Politicians also took a holiday. Following the feverish activity of the presidential campaign, all parties declared a truce to last until after Easter. Now campaigning is again under way, both for the final presidential run-off and for the all-important Prussian Diet elections. Germany is aware that Hitler is likely to win important gains in these elections which will follow close on the heels of the presidential balloting on Apr. 10. Conservatives are not cheered by the prospects.

Gloomy Reports

Any latent business optimism has been squeezed to a mere shadow in major developments within the last few weeks. Fears of repercussions from the Kreuger affair were revived when the investigating committee issued its highly unfavorable preliminary report from Stockholm. Swedish shares are down and the market is heavy.

Gloom followed the reports issued at the recent annual meetings of the stockholders of big banks and large firms, was accentuated by the reported insolvency of the famed Junkers airplane and engine factory. There is no prospect of a revival in the steel and machinery industries. Iron and steel production is now scarcely 12% of normal (page 26).

Moratorium Talk

Fed by this series of unfavorable developments, talk of a transfer moratorium is again holding German interest. This week it spread abroad, affected German bonds on foreign markets. The government, however, has declared that there will be no immediate necessity for a moratorium, that the export balance will be forcefully maintained by a further curtailment of imports. The April allotment of foreign exchange to importers is being reduced from 65% to 55% of normal requirements. It is evident that the government is attempting to hold out at least until the Lausanne conference in June for the sake of the effect it will have on the country's creditors and with the hope that some constructive adjustment on commercial as well as political debts can be made at that time.

In the industrial situation, the only reassuring factor is the decision of employers in the coal and steel industries not to avail themselves of the right to denounce present wage agreements when they terminate Apr. 1, which implies an end of wage deflation.

International News

THE KREUGER AFFAIR—*The crowd on the steps of the Paris Bourse discusses the latest rumors following the death of the international financier. Europe considers Stockholm's preliminary report over-pessimistic*

Great Britain

Conditions continue favorable. . . . Markets quiet over holiday but new issue interest maintained. . . . Unfavorable budget reports from France and U. S., plus speculative activity, cause sterling to fluctuate radically.

LONDON (*Cable*)—Though still in better economic condition than Continental countries, Britain this week was absorbed with important new problems which are affecting business.

Bankers and exporters in particular have been absorbed in sterling fluctuations. The rise early in the week was attributed to the unfavorable budget reports from Paris and Washington, and to a certain amount of speculation. The City scarcely looks for any drastic attempts on the part of authorities to interfere just now despite the adverse effects on exports and the nullification to tariffs. A further reduction in the bank rate is likely more because the present rate is out of line with current market rates than to curb the flow of Continental funds to London.

London continues to show a keen demand for new capital issues though offerings have been light over the Easter holiday period. Money remains plentiful. The Treasury last week was able to place £45 millions of bill offerings at less than 1⅞%, the cheapest rate since April, 1923. Bidding was unusually keen because maturities come at the end of June which is particularly useful for banks.

Small investors are responding well to new issues. For some time such issues will be confined to high-grade offers. Their success must act as a general stimulus to business in the City, and the resultant optimism should lead to a revival of enterprise and commodity demand.

It is contended in some quarters that the present improvement is purely artificial and unsupported by any real revival in trade. Even if this be true, it must be remembered that the depression is largely psychological and any financial improvement, although artificial at the start, may inaugurate genuine recovery.

Danube Parleys

Britain is anticipating that concrete results beneficial to all of Europe will grow out of the Danubian conference. French officials are coming to London for preliminary conferences, but Britain's insistence that Germany be included in any final negotiations has tardily been accepted by the French. Though the conferences are already too late to prevent virtual bankruptcy in many of the Central European countries, they may pave the way to the removal of trade restrictions which would allow for a revival of business.

Hopes for a final satisfactory settlement of the textile labor troubles were virtually blasted this week when cotton workers refused to ratify the agreement on the more-looms system. Further cooperative bargaining seems impossible.

Rail *vs* Buses

Something has to be done to aid British railroads. All of the 4 group companies which handle the great bulk of the country's traffic show smaller receipts this year than last. The Minister of Transport is conducting a number of meetings with representatives of the railways and motor transport organizations to decide whether a further conference might not now be able to reach a solution of the road *vs.* rail problem that would be agreeable to each. The railroads are urging that they are unfairly taxed in comparison with the motor transport interests and that, as public utility services, they are bound to maintenance of their service as a whole irrespective of whether this or that particular part of it pays. New methods of subsidy will be developed if conferences make any headway.

France

Faint signs of seasonal revival fail to hide generally unfavorable conditions. . . . Business foresees budget deficit exceeding $600 millions by yearend. . . . Elections likely to bring fresh taxes. . . . New import quotas bring protest from national manufacturers who fear reprisals, particularly from U. S. . . . Dwindling wheat supplies force larger imports. . . . More aid for French Line.

PARIS (*Cable*)—In long-term prospect, economic conditions in France continue unfavorable, though currently there are two or three slightly favorable developments. Unemployment last week, for instance, increased less rapidly, railroad receipts showed a slight pickup, and there was a modest resumption of activity in the northern textile areas. These are the first evidences of any seasonal recovery, but they are too meager to offer much encouragement. And they are overshadowed by pending major developments including the conferences in London to discuss Central Europe, reparations, and the tariff impasse.

Commodities were generally weak and volume of sales restricted due to the expectation of further deflation.

Easter holidays accentuated the inactivity on the Bourse. Traders are uneasy over unfavorable preliminary reports from Sweden regarding the financial condition of the Kreuger & Toll interests, and there is increasing fear that a German commercial moratorium is imminent.

French Budget Deficit

Fears of a probable Hitler success in the Prussian Diet elections are now being pushed into the background as the date for French Parliamentary elections approaches. The exact date for balloting has not yet been set but it is expected that Premier Tardieu will name it now that the budget has finally been passed. Just now business is speculating on a probable victory for the Left forces with resulting new taxation to meet the growing Treasury crisis. Though the new budget is theoretically balanced, French business is fully aware that there will be a large deficit. Just now it is estimated that by 1933, with what has already accumulated, this deficit will reach $600 millions. And this figure does not include the mounting deficit of the national railways.

There seems to be no end to the import quotas which the government is imposing. Just now there are under consideration quotas on semi-finished iron and steel products, phonographs, printers' type, metal furniture, and fountain pens. Nearly 60% of the imports of these products are from the United States. The growing apprehension of French manufacturers is aptly voiced this week by *Les Echos,* popular trade review, which goes to some pains to denounce the illegality of the measures and to point out the possibility and ill effects of reprisal measures which it indicates can be expected from the United States (page 26).

Scarcity of Wheat

French stocks of domestic wheat are rapidly dwindling, led the government this week to increase to 40% the amount of foreign wheat which can be used in French flour. This is an increase of 5% over the figure for a week ago and is the seventh successive upward revision of the quota since Feb. 1 when the allowance was only 3%. The current rate is the largest that has prevailed in France since the milling restriction system was first authorized on Nov. 30, 1929. Domestic requirements between now and the end of the season are estimated at 28 million bushels. It is reported on the grain market that requirements for all of Europe will reach 260 million bushels.

Additional aid for the French Line has been voted by the Chamber of Deputies and it seems now that work is going to continue on both the "T-6," France's super-liner which was planned to compete with the "mystery" Cunarder for the Atlantic speed and luxury record, and on the *Champlain,* the new cabin liner which is to serve as a sistership to the popular *Lafayette.*

Discussion of the future of the French Line continues in Paris. Notwithstanding opposition in the Senate, it is assumed in authoritative quarters that arrangements will surely be made for the continuance of operations. It is also thought that there will be no further delay in work on either of the 2 liners under construction. French national prestige is so bound up with the line that neither its disappearance nor any falling off in the quality of its service can be contemplated.

Latin America

No outstanding developments in Latin American business. . . . Argentina renews $9 millions of foreign loans maturing Apr. 1. . . . Brazil quieter. . . . Credit men rate Latin American countries on credits and collections, find conditions improved.

ECONOMIC developments in Latin America this week were colorless.

Arrangements were completed in Wall Street for the extension, probably for 9 months, of all but $1 million of the $10-million Argentine loan due Apr. 1. Another $10 millions of foreign short-term obligations fall due on July 1, besides $5 millions loaned to the Argentine government by foreign companies operating within the republic.

In Brazil, the political situation seems to have eased since concessions were made to leaders of the southern province whence came the pressure. Provisional-President Vargas has promised constitutional elections not later than next January.

Exporters are only faintly encouraged by the quarterly report of the National Association of Credit Men on credit and collection conditions in Latin America. Though some improvement is noted since the beginning of the year, the outlook still is not highly favorable.

Credit classifications of the various countries are given as follows in the report: fairly good—Porto Rico; fair—Panama, Argentina; poor—Venezuela; very poor—Mexico, Paraguay, Guatemala, Uruguay, Costa Rica, Salvador, Honduras, Brazil, Dominican Republic, Peru, Colombia, Haiti, Ecuador, Cuba, Bolivia, Nicaragua, and Chile.

In the collection survey, Porto Rico and Panama are listed as prompt; fairly prompt—Argentina, Mexico, Venezuela, Guatemala, and Haiti; slow—Brazil, Peru, Paraguay, Dominican Republic; very slow—Salvador, Uruguay, Cuba, Costa Rica, Honduras, Colombia, Ecuador, Bolivia, Nicaragua, and Chile.

According to the survey and to comments from exporters, present indications are that the situation is improving and that it will continue to improve.

Far East

Diplomatic formalities hide rapid industrial gains in Manchuria, prospects of further internal strife in China. . . . Japan gets large Manchurian orders, takes over customs collection but makes provision to meet foreign debt charges. . . . Russo-Japanese friction not yet serious. . . . Japan revises plans to build domestic automobile industry.

DIPLOMATIC formalities connected with settlement of the Sino-Japanese differences in the Far East are likely to continue for a long time but they are no longer likely to involve any large-scale hostilities. Japan may, and probably will, withdraw from the League of Nations if any attempt is made to tamper with her control of Manchuria. But the most likely prospect for active military outbreaks is within China where war lords, the immediate threat around Shanghai having been removed, seem to be preparing for their annual spring campaigns. Already the principal interest of Chinese leaders is in the internal political situation rather than in international policies. China today is in a worse condition in all respects than she was a year ago, and measurably nearer bankruptcy.

Business Begins to Boom

Manchuria is already making significant economic gains. Merchants in Mukden and other large centers are restocking on a large scale. Japan is getting the lion's share of the business, as Tokyo planned. Cotton goods, sugar, wheat flour, building materials, machinery and tools make up the bulk of the orders from native merchants. In the Mukden area, Japanese cotton mills sold early in February goods for March de

livery and now orders are being filled for May delivery.

Industrial plans are centering in the South Manchuria railway. One order for 38,000 tons of steel rails is being filled by the government steel mills in Japan. One large foundry has booked orders for 500 tons of small machines.

Manchuria's new State Bank will open Apr. 11 at Changchun with a capital of 30 million Japanese yen instead of Manchurian dollars. Half of the capital will be subscribed by private parties. The bank notes in circulation will gradually be replaced by the new government bonds.

Bondholders Protected

Important to Manchurians and foreigners alike is the announcement that the new government will collect the customs in Manchuria in the future, but that the portion of the revenue earmarked for loan service will be sent to Shanghai as usual. The balance, however, will be used for local purposes. This assures bondholders in Europe and the United States of service on their bonds, and assures Japan of income for the new projects which will be built entirely with Japanese materials.

As yet there is no rupture in Russo-Japanese relations. Reports from Harbin indicate that the Soviets are attempting to cooperate with the new "Japanese-advised" officials of the half-Soviet-owned Chinese Eastern railway, though Moscow refuses to consider recognition of the new state. If complications arise in the near future they are more likely to be due to friction over renewing the fisheries treaty between Japan and Russia than to immediate complications in Manchuria.

Prices Advance

The depreciation of the yen is reflected in Japan's price index for January. Prices of all important commodities that enter into international trade, with the single exception of coal due to unseasonably warm weather, were up. The advance, however, after the abandonment of the gold standard, was only 8½%, in contrast with a depreciation of the yen of more than 25%.

The new commission appointed by the government to plan to build at once a Japanese automobile industry has now remodeled its schemes to cover only buses and trucks. Japan will not attempt to compete with Chevrolet and Ford, already assembling domestically. The commission will spend 130,000 yen during the coming fiscal year on preparations for the establishment of the industry. Then, subsidies to manufacturers will begin if the Diet approves.

The Figures of the Week And What They Mean

Productive activity in the steel industry still awaits the stimulus from the motor industry which is expected to shape up in April following the long awaited presentation of Ford cars. . . . Construction is expanding too slowly to give March much of a margin above February, though residential contracts are already exceeding the preceding month's awards. . . . Electric power production is handicapped by slow industrial activity in the central states. . . . Carloadings have reached a new peak for the year. . . . Post-Easter commodity prices show more firmness.

MARCH closes with steel activity on the decline without having made the usual spring rise. The Dow, Jones estimate of operations places production at 24% of capacity, comparable with the situation early in January. The adjusted index lost one point, standing at 30% of normal for the week ending Mar. 28. Steel producers are said to continue hopeful, feeling that the seasonal expansion has merely been delayed.

The next two or three weeks should give some indication as to whether the second quarter of the steel industry is going to compensate for the poor showing of the first. The motor manufacturers are launching extensive drives to attract reluctant consumers throughout the country. General Motors is virtually repeating its January automobile show to the accompaniment of broad advertising and a sales resistance campaign. Ford and Plymouth are bringing forth their new models to bait the apathetic public. As yet the steel industry has felt but slight repercussions of the preparations for these new models, but now that Ford has thrown his hat in the ring the industry is hopeful that steel orders in some volume will follow shortly.

Railroads continue to constitute a prospect, though track supply orders are expanding very slowly and rail demand is next to nothing. A more lenient attitude toward railroad loans by the Reconstruction Finance Corp. is expected to provide funds for maintenance and equipment requirements. A number of roads have reported larger net operating incomes in February, 1932, than a year ago. Class I railroads reported that on Mar. 1 some 7,814 locomotives or 15% of the number on the line and 206,461 freight cars equal to 10% of the number on the line were in need of repairs.

Fabricated structural steel lettings have shown a slight improvement compared with the low January volume, while private projects are figuring more prominently in the recent inquiries.

In the Construction Field

Construction activity made a little headway during the third week of March, though it continues doubtful whether the month will be rounded out with the customary sharp increase over February. Residential awards lost ground in the week of Mar. 22, while the non-residential and public works awards reported gains in the daily average rate. Total awards for the period through Mar. 22 now total $76.5 mil-

THE BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY	Latest Week	Preceding Week	Year Ago	Five-Year Average (1927-1931)
THE BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY	*57.1	†57.6	81.4	......
PRODUCTION				
Steel Ingot Operation (% of capacity)	24	25	55	80
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks basis)	$3,609	$3,729	$12,834	$17,377
Bituminous Coal (daily average, 1,000 tons)	*1,290	†1,341	1,235	1,575
Electric Power (millions K.W.H.)	1,515	1,538	1,689	1,597
TRADE				
Total Carloadings (daily average, 1,000 cars)	97	96	124	151
Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars)	63	60	84	102
Check Payments (outside N. Y. City, millions)	$2,927	$3,180	$4,161	$5,415
Money in Circulation (daily average, millions)	$5,498	$5,537	$4,577	$4,671
PRICES (*Average for the Week*)				
Wheat (No. 2, hard winter, Kansas City, bu.)	$.47	$.52	$.71	$1.11
Cotton (middling, New York, lb.)	$.064	$.068	$.107	$.164
Iron and Steel (STEEL composite, ton)	$29.81	$29.57	$31.67	$35.08
Copper (electrolytic, f.o.b. refinery, lb.)	$.058	$.058	$.096	$.156
All Commodities (Fisher's Index, 1926 = 100)	63.1	63.1	75.6	91.0
FINANCE				
Total Federal Reserve Credit Outstanding (daily average, millions)	$1,599	$1,634	$884	$1,153
Total Loans and Investments, Federal Reserve reporting member banks (millions)	$19,403	$19,588	$23,046	$21,965
Commercial Loans, Federal Reserve reporting member banks (millions)	$6,917	$6,975	$8,121	$8,660
Security Loans, Federal Reserve reporting member banks (millions)	$5,337	$5,413	$7,349	$7,106
Brokers' Loans, N. Y. Federal Reserve reporting member banks (millions)	$525	$524	$1,875	$3,637
Stock Prices (average 100 stocks, Herald-Tribune)	$88.95	$90.59	$134.90	$154.30
Bond Prices (Dow, Jones, average 40 bonds)	$79.53	$80.58	$96.15	$96.45
Interest Rates—Call Loans (daily average, renewal)	2.5%	2.5%	1.5%	5.4%
Interest Rates—Prime Commercial Paper (4-6 months)	3½–3¾%	3½–3¾%	2.5%	4.1%
Business Failures (Dun, number)	628	708	654	548

*Preliminary †Revised

The Index

The weekly index of general business activity, first of its kind, is compiled by *The Business Week* from 8 series of weekly figures—steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation see *The Business Week*, May 7, 1930, p. 39.

lions, equal to a 4% gain in the daily average rate compared with February, but 72% below a year ago. The adjusted index based on the 4-week period ending Mar. 18 stands at 21% of normal compared with 22% the preceding week and 24% the first week in March.

Residential Contracts

Residential contracts in the 37 states reported by F. W. Dodge now exceed the entire month of February with a volume of $24.8 millions against $24.4 millions the preceding month. On a daily basis the gain is 23%.

Non-residential awards total slightly less than $32 millions, equal to a 6.5% gain over the February daily average. Public works and utility contracts remain the smallest of the 3 major groups, accumulating $19.7 millions in the first 19 business days in March. On a daily basis, this volume represents a 15.8% decline from the February average, and an 82% decline from a year ago.

While coal production fell off nearly 4% from the peak of the Mar. 12 week, the latest week is still well above every other week since November. The adjusted index of bituminous coal declined 2 points to 64% of normal. Anthracite coal output for the week of Mar. 19 reached a new high for the year under the influence of cold weather and the coal strike.

Electric power production continues to decline, particularly in the central industrial region of the country where the lag in motor and steel production reflects the stagnation of industrial activity. The eastern section of the country appears to maintain a steady level of consumption, while the 17% decline from a year ago on the Pacific Coast is due to the lessened need for irrigation this season. The adjusted index for the week of Mar. 26 remains at 74% of normal.

While coal loadings declined from the preceding week and ran contrary to the bulk of shipments during the week of Mar. 19, they were the only group to exceed last year loadings. Total revenue freight shipments have now reached the high of the year to date, chiefly as a result of the substantial increase in miscellaneous freight loadings just preceding the Easter season. But this group plus the merchandise less than carlot freight did not exceed the peak week of Mar. 5. The gain, however, was sufficient to lift the adjusted index 2 points above the low of a week ago to 56% of normal.

Check Payments

Check payments in the 140 cities outside of New York City during the week of Mar. 23 wiped out the gain reported a week ago and hover in low ground. The adjusted index, corrected for declines in the general price level of recent weeks, stands at 64% of normal compared with 65% and 68% in the preceding 2 weeks.

Currency circulation continues to decline steadily, though the volume outstanding is still more than $900 millions above last year. But the trend is in the right direction. The adjusted index, corrected for a further decline in the cost of living, stands at 48% above normal compared with 49% and 50% in the preceding 2 weeks.

Commercial loans declined most heavily in the New York district during the week ending Mar. 23. The adjusted index stands at 8% above normal compared with 9% the preceding 2 weeks.

Commodity Prices

Commodity prices in the last few days have shown a firmer tendency following the weakness exhibited up to Mar. 26. While the weighted cash price of Kansas City wheat for the week ending Mar. 25 declined to the lowest level of the present year, futures at Chicago have exhibited more steadiness since the holidays. Cold weather has damaged crop prospects. Corn followed wheat in the upturn. Coffee, rubber, cocoa, and silk prices show improvement. The settlement on the Cuba sugar crop and the cessation of grinding by mills whose quotas have been reached bolstered the long sagging sugar market. Hog and cattle prices report gains, but hides declined. Cotton prices are weak.

The metal markets report considerable improvement. The composite steel price reflects the increases on numerous steel products recently established. Lead sales were the best since January and reflect a little more forward buying. Zinc prices moved higher on report of further curtailment, while copper remained steady. Silver prices reached 30¢ an ounce on Mar. 29.

Trends of the Markets In Money, Stocks, Bonds

Monetary ease continued to spread as a result of further open market operations by the Federal Reserve Banks. . . . Stock prices dropped, slowly in a dull market at first, then more abruptly. . . . Bonds were lower for the week, though there were some rallying tendencies.

Trend in Money Market Still Growing Easier

MONETARY movements of the week in the United States continued the same general trend that has been in progress since the aggressive Federal Reserve open market policy began about Mar. 1. Easing tendencies grew more pronounced and there were some signs pointing more directly to expansion than have thus far been evident.

The Reserve banks continued their open market operations, and the easing effects from these were supplemented by a further increase in gold stock and another large decline in money in circulation.

The increases thus brought about in the credit base were absorbed by rising foreign bank deposits at the Federal Reserve Bank and a decrease in Treasury currency. In addition there was a slight decline in total Federal Reserve credit despite the open market operations, which resulted from maturing of acceptances and repayment of borrowings by member banks.

Excess reserves continued to pile up in New York City, although reserves of out-of-town banks declined somewhat. The out-of-town decline seems to result from repayment of debt both to the Reserve Banks and to correspondents. These repayments are favorable since they ease the banking strain, which must occur before expansion can proceed.

The increase in excess funds in New York brought a further reduction of open market money rates. Federal Reserve funds dropped another $\frac{1}{4}\%$ from their abnormally low $\frac{1}{2}\%$ of last week. Acceptance rates were soft, and some dealers made further reductions. The Federal Reserve banks also reduced its bill buying rate.

Credit Expansion

The pressure of excess reserves brought some expansion of credit by the New York City banks. They increased their security loans, purchased a few government securities and a considerable volume of securities other than governments. This is exactly the manner in which proponents of expansion expect present trends to progress.

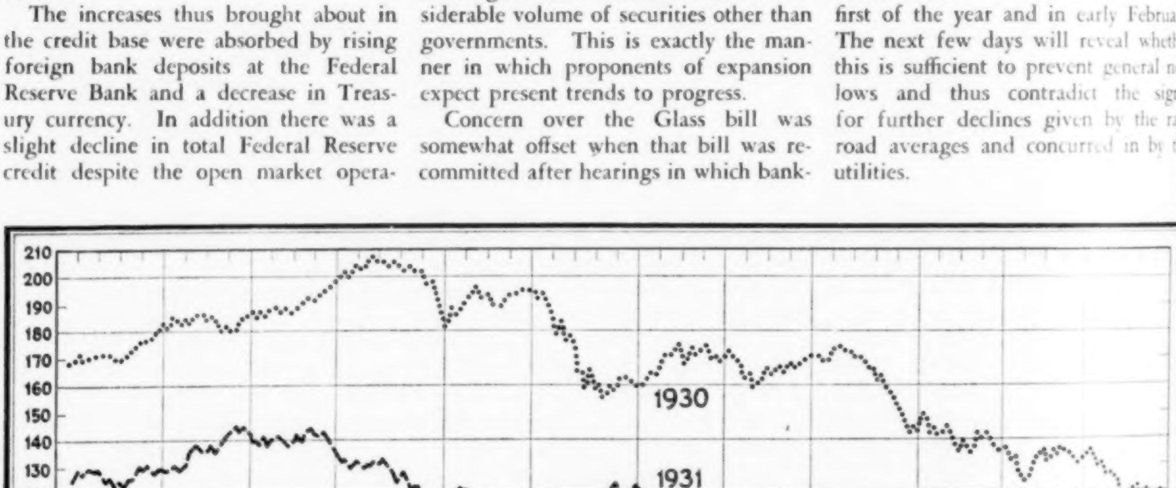
Concern over the Glass bill was somewhat offset when that bill was recommitted after hearings in which bankers voiced a storm of protest. Senator Glass announced that he would yield on some of the objectionable points of the bill. At the same time the Comptroller in Washington omitted the usual March call for condition statements of national banks, presumably in order to save them embarrassment.

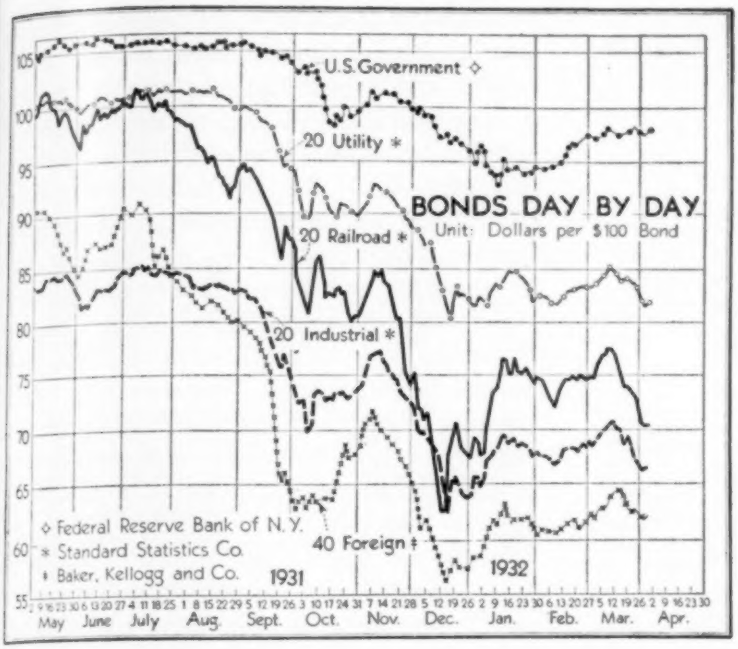
Foreign alarm at governmental finance earlier in the week brought rapid depreciation of the dollar in terms of other currencies, but some rally occurred later. Britain continued to gain financial strength, while additional doubts arose as to Germany's position.

Stocks Drop Further In a Skeptical Market

WITH dullness continuing, stock prices dropped further downward this week as the financial community remained apathetic and gave greatest weight to unfavorable factors. The Dow Jones average of railroad stocks descended to a new low for the depression, which was a bearish signal technically. Later in the week a severe decline hit the market and carried the utility stock average to a new low. Numerous individual industrials also broke through.

Some resistance to decline was encountered at the same level as at the first of the year and in early February. The next few days will reveal whether this is sufficient to prevent general new lows and thus contradict the signal for further declines given by the railroad averages and concurred in by the utilities.





The decline in the rails occurred despite better carloading figures reported for this week and despite the income improvement reported for February. It reflects a complete lack of conviction that the railroad problem has been solved.

General factors affecting the market in addition to the railroad situation included the concern caused by the decline in bond prices which now has reached serious proportions, the threat of much higher taxes on stock transactions, absence of signs of commercial bank policy change, and the continued failure of business to show improvement. Stock exchange seat prices continued to decline rather sharply.

The week brought into operation the new exchange rule restricting the use of borrowed stock for short selling. The general belief was that the market would not be greatly affected, but a little more time will be necessary before conclusions can be certain.

Government Bonds Gain On Budget Outlook

BOND prices, except on U. S. Treasury issues, continued weak, though slight rallying forces were in evidence, particularly in the industrials. The railroad list slackened somewhat its downward course, while the foreign government issues maintained a dull but steadier price trend.

The pronounced strength shown by the Treasury issues, after a decline early this week, was in response to the improved outlook in Washington for a balanced budget. Recent Reserve buying also had a stimulating influence.

Despite the general improvement revealed in February earnings and the prospect of a more favorable showing for March, in consequence of further reductions in operating expenses, railroad bonds remain under pressure. Unfavorable traffic statistics continue to affect adversely this section of the market.

Utilities Under Pressure

Utilities as yet have shown no sign of checking the reactionary movement started a few weeks back and are again close to this year's low. Power output continues to decline, the drop for the fourth week of March having been the largest on record.

The foreign government list lacks constructive news to break its recent dullness. German bonds displayed the best strength on announcement that Berlin would not ask for renewal of moratorium, though financial circles are inclined to doubt that Germany will really manage to avert this step (page 9). Argentine government bonds also staged a rally under the influence of a report that that country would take care of its April 1 obligations.

The success of the N. Y. State $50-million note issue on a rate as low as 3¾% was interpreted as a favorable sign for state and municipal loans, but the issue indicates that local governments are still unable to resort to long-term financing.

THE BUSINESS WEEK

The Journal of Business News and Interpretation

April 6, 1932

Let's Keep Our Shirts On

THE confusion of counsel and collapse of leadership in Congress in connection with the federal fiscal situation threatens a setback to business confidence, just beginning to bud under the sunshine of spring hopes. The beneficial effect of Administration measures on these tender sprouts is in danger of being offset by a frost of fear about the financial position of the government. Officials and excitable legislators have not helped matters much by their reckless interpretations of the issue. In fact they have done everything possible to precipitate an unreasoning and altogether unnecessary panic here and abroad. The spectacle of a Speaker of the House forecasting the suspension of every bank in sixty days unless the budget is balanced, is surely helpful at this stage of the game, and business owes him a Bronx cheer for it.

It does not much matter what misconceptions of our problem prevail in the foreign mind as a result of rash utterances of irresponsible Americans or newspaper neuroticism. Our prosperity is not dependent upon European opinion about our policies, and domestic recovery will not be controlled by exchange quotations on the dollar. This country is not a debtor nation; the same can be said of none of the others who take so much satisfaction in our temporary deficit (to which they have contributed considerably). Recent legislation has provided sufficient shock absorbers in the Reserve system to protect us from further overseas hysteria.

But American business men must not allow themselves to be stampeded into panic by political exploitation of our fiscal difficulties now going on in Washington. The federal government should of course make every effort to balance its *current* running expenses with its *current* income by increased efficiency in operation, by all economies which do not cut into essential services, by increased taxes which do not curtail consumption, and by vigorous tax collection. It is certainly not necessary to cover its *capital* investments on behalf of banks, railroads, shipping and agriculture out of current income.

All these things can be done by aggressive action by the Administration and intelligent leadership in Congress. They cannot be done by alarmist appeals to the public, by blind budget slashing, or by frantic efforts to improvise an emergency revenue measure in mass meeting or in an atmosphere of mob psychology. These are technical questions which need careful and calm consideration, not merely by Congress but also by the business community. They are important, but not in any sense perilous or critical.

This country is in no imminent danger of bankruptcy, or of reckless blue-sky financing. It is suffering from a surplus of real wealth, not from a deficiency of anything except money. Its public credit is still the best in the world because its economic resources are enormous and its taxing powers are only partly tapped. If after every intelligent effort has been exerted to make current income and expenses meet, it should still seem necessary to do some borrowing against the future in order to help tide over a period of distress, there will be nothing for a sensible and self-respecting nation to be ashamed of, and certainly nothing to be alarmed about.

The only real danger is hysteria. If business is going to be hysterical about it by all means let budgets be balanced though the heavens fall. We are strong enough to stand it, and can recover in spite of it, as Britain is doing.

Published weekly by the McGraw-Hill Publishing Company, Inc. 330 West 42nd St., New York City. Tel. MEdallion 5-0700. Price 20¢. Subscription: $7.50 a year, U. S. A. and possessions. Foreign $10.00 or £2.10s Cable code, Mcgrawhill

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